

# Enfis Group plc

Admission to AIM



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AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange plc has not itself examined or approved the contents of this document.

This document, which is an admission document required under the AIM Rules, does not constitute a prospectus pursuant to the Financial Services and Markets Act 2000 (as amended), but has been drawn up in accordance with the AIM Rules. A copy of this document will be delivered to the London Stock Exchange as an admission document in respect of the Ordinary Shares. The whole text of this document should be read. An investment in this Company involves a high degree of risk and prospective investors should also read carefully the section entitled "Risk Factors" in this document before taking any action.

It is expected that dealings in the Ordinary Shares on AIM will commence on 23 March 2007. No application has been made, or is contemplated, for the Ordinary Shares to be listed on any other recognised investment exchange. Copies of this document will be available free of charge from the offices of Noble & Company Limited, 120 Old Broad Street, London, EC2N 1AR from the date of this document until one month after Admission.

## Enfis Group plc

*(Incorporated in England and Wales under the Companies Act 1985 with Registered Number 6133765)*

Placing of 3,214,286 new Ordinary Shares of 10p each at 140p per share  
and  
admission to trading on AIM



## NOBLE

**Noble & Company Limited**  
Nominated Adviser and Broker

EXPECTED SHARE CAPITAL  
*(immediately following Admission)*

<i>Authorised</i>			<i>Issued and fully paid</i>	
Amount	Number	Ordinary Shares of 10p each	Amount	Number
£1,500,000	15,000,000		£893,606	8,936,060

Noble & Company Limited ("Noble"), which is authorised and regulated by the Financial Services Authority, is acting as the Company's Nominated Adviser and Broker in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Noble as to any of the contents of this document (without limitation to the statutory rights of any person to whom this document is issued). Noble will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

The Directors of the Company, whose names and details are set out on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, the Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in the United States, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the registered securities legislation of any state of the United States of America. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada. No document in relation to the Admission or the Placing has been, or will be, lodged with, or registered by, the Australian Securities Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance, in relation to the Admission or Placing of the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or offered or sold to a person within the United States of America or a resident of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of the Admission Document	16 March 2007
Admission and commencement of dealings	23 March 2007
CREST accounts credited	23 March 2007
Despatch of definitive share certificates (where applicable)	30 March 2007

## PLACING STATISTICS

Placing Price per Placing Share	140p
Number of Ordinary Shares in issue immediately prior to Admission	5,721,774
Number of Ordinary Shares being placed	3,214,286
Percentage of enlarged issued share capital represented by the Placing Shares	36 per cent.
Proceeds of the Placing before expenses	£ 4.5million
Proceeds of the Placing to be received by the Company after expenses	£ 3.9million
Number of Ordinary Shares in issue on Admission	8,936,060
Market capitalisation on Admission at the Placing Price	£ 12.5million
ISIN code	GB00B1TK2453

## FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. Such forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “projects”, “assumes”, “expects” “intends”, “may”, “will”, or “should”, or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, results of operations, financial condition, liquidity, prospects, growth strategies and dividend policy of the Company and the development of the industry in which the Company operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance. The Company's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which the Company operates may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the results of operations, financial condition and liquidity and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, changes in economic conditions generally, legislative/regulatory changes, changes in taxation regimes and the availability and cost of capital for future investments.

Shareholders are advised to read this document in its entirety, and, in particular, Part 3 of this document for a further discussion of the risk factors that could affect the Company's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations, the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Simon John Gibson Shaun Piers Oxenham Giles Alexander Davies Gareth Jones Andrew William Nelson Owen Griffith Ronald Jones John Corelli James Thynne	<i>(Non-Executive Chairman)</i> <i>(Chief Executive Officer)</i> <i>(Chief Financial Officer)</i> <i>(Chief Technical Officer)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i>
<b>Company Secretary</b>	Giles Alexander Davies	
<b>Registered office and Directors' business address</b>	Technium II Kings Road Swansea Waterfront Swansea SA1 8PJ	
<b>Nominated adviser, financial adviser and broker</b>	Noble & Company Limited 120 Old Broad Street London EC4N 1AR	
<b>Solicitors to the Company</b>	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ	
<b>Solicitors to the Nominated Adviser and the Placing</b>	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG	
<b>Reporting accountants</b>	PricewaterhouseCoopers LLP 1 Kingsway Cardiff CF10 3PW	
<b>Bankers</b>	Barclays Bank plc South East Wales Area 1 PO Box 19 Newport Gwent NP20 1WH	
<b>Registrars</b>	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the issued Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange from time to time governing admission to, and the operation of, AIM
“Company” or “Enfis Group”	Enfis Group plc, a company incorporated in England and Wales (registered number 6133765) and having its registered office at Technium II, Kings Road, Swansea Waterfront, Swansea, SA1 8PJ
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the operator (as defined in the CREST Regulations) in accordance with the securities may be held and transferred in uncertificated form
“Directors” or the “Board”	the directors of the Company, whose names are set out on page 4 of this document
“DTR”	the Disclosure and Transparency Rules published by the FSA
“EIS”	Enterprise Investment Scheme (EIS), a series of tax reliefs designed to encourage investments in small unquoted companies carrying on a qualifying trade in the United Kingdom
“Enfis”	Enfis Limited, a wholly-owned subsidiary of the Company, a company incorporated in England and Wales (registered number 4292138) and having its registered office at Technium II, Kings Road, Swansea Waterfront, Swansea, SA1 8PJ
“Enlarged Share Capital”	the Ordinary Shares in issue immediately following Admission
“Existing Ordinary Shares”	the Ordinary Shares in issue immediately prior to the Placing and Admission
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and Enfis
“HMRC”	Her Majesty’s Revenue & Customs and, where relevant, any predecessor body which carried out part of its functions and references to any approval by HMRC shall, where appropriate, include approval by an officer of HMRC
“London Stock Exchange”	London Stock Exchange plc
“Noble”	Noble & Company Limited, a company incorporated in Scotland (registered number SC127487) and having its registered office at 76 George Street, Edinburgh EH2 3BU and regulated by the FSA
“Official List”	the Official List of the London Stock Exchange, as maintained by the UKLA

“Ordinary Shares”	ordinary shares of 10p each (in nominal value) in the capital of the Company
“Placing”	the conditional placing by Noble, as agent for the Company, of the Placing Shares at the Placing Price pursuant to the Placing Agreement as described in this document
“Placing Agreement”	the conditional agreement, dated 16 March 2007 between (1) the Company; (2) Noble; (3) the Directors and (4) Wavelight relating, <i>inter alia</i> , to the placing of the Placing Shares and Admission, further details of which are set out in Part 2 of this document;
“Placing Price”	140p per Placing Share
“Placing Shares”	the 3,214,286 new Ordinary Shares to be issued by the Company pursuant to the Placing
“PwC”	PricewaterhouseCoopers LLP
“Shareholder(s)”	the person(s) who are registered as holder(s) of Ordinary Shares from time to time
“Share Option Schemes”	the share option schemes described in paragraph 7 of Part 7 of this document
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the UK Listing Authority, a division of the Financial Services Authority acting in its capacity as the competent authority for the purpose of Part VI of the FSMA
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia, and all other areas subject to its jurisdictions and any political sub-divisions thereof
“US \$”	United States dollar
“VCT”	venture capital trust for the purposes of section 842AA and schedule 28B of the Income and Corporation Taxes Act 1988
“Wavelight”	Wavelight Aesthetic GmbH, a company with its registered office at AM Wolfsmantel 5, 91058 Erlangen, Germany, a shareholder in the Company

## GLOSSARY OF TECHNICAL TERMS

“array”	a group of items (elements, leads, bonding pads, circuits, LEDs etc.) arranged in rows and columns
“chip(s)”	a leadless form of an electronic or optoelectronic component. For example, an LED chip is a semiconductor component without attachment leads
“current”	flow of electrical charge, measured in amperes.
“electron”	a sub-atomic particle carrying a negative charge
“Giga”	a prefix meaning one thousand million
“Kyoto Protocol”	the Kyoto Protocol, as adopted at the Third Session of the Conference of the Parties (COP) to the UN Framework Convention on Climate Change (UNFCCC) in 1997 in Kyoto, Japan
“Laser”	an acronym derived from Light Amplification by Stimulated Emission of Radiation, denoting a device which emits coherent light of a specific wavelength
“LCD”	liquid crystal display
“LED”	an acronym derived from Light Emitting Diode, a type of semiconductor diode that emits visible, ultra violet or infrared light when current passes through it
“Lumen”	a unit of measurement of the rate at which light is emitted from a source taking into account the sensitivity of the human eye
“luminous flux”	defined as the total luminous energy per unit time emitted by a light source into a sphere surrounding the light source, where the luminous flux is the radiant flux multiplied by the human eye’s sensitivity. The measurement unit for luminous flux is the Lumen
“Mega”	a prefix meaning one million
“PC”	personal computer
“photon”	a quantum of electromagnetic energy commonly known as a particle of light
“semiconductor”	a material whose electrical resistance can be switched between insulating and conducting. Silicon is the most commonly used semiconductor material and the basic material for building most electronics chips
“SSL”	solid state lighting, the use of solid-state semiconductor based light sources for use in lighting applications
“Tera”	a prefix meaning one million million
“V” or “volt” or “voltage”	the International System unit of electric potential and electromotive force. If one volt is applied to a resistance of one ohm, a current of one ampere will flow across the resistance
“W” or “Watt”	the International System unit of electrical power, equal to the power developed in a circuit by a current of one ampere flowing through a potential difference of one volt

## KEY INFORMATION

The following summary information is derived from, and should be read in conjunction with, the full text of this document. Prospective investors should read the whole of this document and not rely solely on the key information set out below.

### **Background to Enfis' business**

Enfis is a significant market participant in the design, development and manufacture of intelligent high power Light Emitting Diode ("LED") arrays and light engines. Enfis has designed, manufactured and now made commercially available high-powered, full spectrum, intelligent LED arrays, which the Directors believe will allow Enfis to benefit from the anticipated global shift from incandescent lighting to Solid State Lighting ("SSL"). Its light engines combine one of the highest power LED arrays commercially available worldwide today with patent-pending smart array technology, highly efficient intelligent electronics and thermal management.

The Board is currently targeting the architectural, entertainment and retail segments of the illumination applications market, representing the most immediately penetrable markets for the Enfis light engine, markets which are projected to enjoy a compound annual growth rate of 45 per cent. between 2006 and 2011. The Board intends to access these markets through catalogue distribution companies and value-added integrators, as well as by seeking strategic R&D tie-ups with major lighting manufacturers.

Since the launch of Enfis' light engine concept at Electronica in November 2006, and the positive reception of the Enfis product, the Company has seen significant interest from the distributor community. Enfis has already signed eight distributors, providing coverage in Western Europe and Asia Pacific; the pipeline of interest continues to increase in these regions and a gathering momentum of interest from North America is visible. Forward business is in line with the Directors' expectations and the management will continue to develop the Group's products and channels to market.

The global lighting market is shifting from traditional incandescent lighting to SSL, driven mainly by cost, energy efficiency, environmental and functionality factors, with the SSL market projected to be circa US \$22 billion by 2010. The environmental and cost benefits of converting to SSL are substantial. 22 per cent. of energy used in the US is for lighting, equating to 915 Tera Watt Hours (TWH) of energy. It is estimated that an 80 per cent. penetration of SSL into the US lighting market would lead to:

- Reduction in energy use of 458 TWH, or 11 per cent. of the total electricity generated in the US annually
- Financial savings of around US \$46 billion
- Reduction in energy consumption of 52 Giga Watts, equivalent to around 70 major power stations
- Reduction in CO2 emissions of 10.7 Giga Tonnes

### **Reasons for the IPO Placing and Admission**

The Placing comprises 3,214,286 Ordinary Shares at the Placing Price of 140p per Ordinary Share. The Company will raise gross proceeds before expenses (assuming full subscription of the Placing Shares under the Placing) of £4.5 million. The Placing is not being underwritten.

The Directors believe that the admission to trading on AIM and the Placing will be beneficial to the Company because it will:

- Raise the profile of the Group
- Fund the ongoing costs of the Group whilst it grows its sales and provide the Group with additional working capital
- Enable the Group to put in place infrastructure for sales and marketing
- Enable the Group to purchase in-house prototyping equipment, thereby reducing time to market
- Provide scope for the continued incentivisation of its staff and create wider ownership within the Group
- Heighten the commercial benefit of Enfis' technology lead
- Protect IP in new products and processes

# PART 1

## INFORMATION ON THE COMPANY

### 1. Introduction

Enfis is a significant market participant in the design, development and manufacture of intelligent high power Light Emitting Diode (“LED”) arrays and light engines. The global lighting market is shifting from traditional incandescent lighting to Solid State Lighting (“SSL”), driven mainly by cost, energy efficiency, environmental and functionality factors, with the SSL market projected to be circa US \$22 billion by 2010. The Group is well placed to capture SSL market share, as well as to benefit from the market’s substantial projected growth. The Group is seeking admission to AIM and is raising funds for the purposes of accelerating its growth in this dynamic market.

### 2. Background

The Company is a newly-formed company, incorporated for the purposes of Admission and the Placing. On 16 March 2007, it acquired the entire issued share capital of Enfis, pursuant to a share-for-share exchange agreement, further details of which are set out at paragraph 9.1 of Part 7 hereof.

Enfis was founded in 2001 and was initially funded by Wesley Clover Corporation, a venture capital company chaired by Sir Terry Matthews, founder of Mitel and Newbridge Networks. Enfis’ initial focus was to develop semiconductor based light source modules and systems for the specialised medical market using the latest advances in semiconductor optoelectronic device fabrication, thermal management and optical design technologies.

In January 2006, Enfis made a commercial decision to target broader market segments, particularly the architectural, entertainment and retail lighting sectors. In March 2006, Enfis announced a technology breakthrough in LED lighting power density which forms the basis of Enfis’ current light engine. Enfis’ light engine includes one of the highest power LED arrays commercially available worldwide today and is powered by patent-pending smart array technology, highly efficient intelligent electronics and thermal management. 19 patents have been filed relating to the technology.

In November 2006 at Electronica (a global trade fair in Munich for electronic components, systems and applications) Enfis formally launched its range of high performance LED light engines and arrays. Around 100 companies from all over the world expressed a strong interest in taking the Enfis light engines to their respective markets under distribution agreements. Since Electronica, Enfis has signed distribution agreements with eight of these companies in Europe and Asia Pacific, and has received nearly 30 orders for its SSL products. Enfis is in negotiation with approximately 20 further distributors and value added integrators with plans to recruit further distributors in North America in 2008.

### 3. Solid state lighting

#### *Drive for energy efficiency*

Climate change is widely acknowledged as being one of the most serious issues facing the planet and there is strong evidence that most of the warming observed is attributable to human activity, in particular to the emissions of greenhouse gases. The UK government has played a leading role in global efforts to tackle climate change and will continue to do so, with its official Kyoto Protocol target of a 12.5 per cent. reduction of greenhouse emissions below 1990 levels by 2008 – 2012. The UK Government, in its 2003 Energy White Paper, set out an internal target to reduce carbon emissions in the UK by 60 per cent. from 1990 levels by 2050.

In a press release on 20 February 2007, Australia’s Government announced incandescent light bulbs will be banned from sale from 2009 to help cut greenhouse gas emissions. Malcolm Turnbull, the environment minister, said “replacing the country’s incandescent bulbs could prevent up to 4 million tonnes of greenhouse gas emissions entering the atmosphere every year by 2015. Banning the bulbs would also help cut 800,000 tonnes from Australia’s current greenhouse gas emissions level by 2012 and lower household lighting costs by 66 per cent.”

On an international scale, policy makers are looking ahead to the negotiation of a replacement of the Kyoto Protocol, which expires in 2012, and the issue of climate change was once again high on the agenda at the World Economic Forum at Davos in January 2007. A rise in US investor and political demands on business to do more to deal with environmental problems was highlighted in February 2007 when Ceres, a coalition of US institutional investors and environmental groups, stepped up pressure on corporate America to do more on environmental issues by publishing a blacklist of 10 companies it accused of failing to address climate change and global warming. In November 2006, Walmart reinforced its commitment to energy efficiency initiatives when it confirmed a switch to LED lighting in its refrigerator cases in 500 of its stores, with a projection of 66 per cent. energy savings justifying the estimated investment of circa US \$30 million.

The environmental and cost benefits of converting to SSL are substantial. According to a report by Professor Fred Schubert of Rensselaer Polytechnic Institute published in "IOP Reports on Progress in Physics", building upon leading work by the US Department of Energy entitled "Solid-State lighting – a benevolent technology", 22 per cent. of energy used in the US is for lighting, equating to 915 Tera Watt Hours (TWH) of energy. It is estimated that an 80 per cent. penetration of SSL into the US lighting market would lead to:

- Reduction in energy use of 458 TWH, or 11 per cent. of the total electricity generated in the US annually
- Financial savings of around US \$46 billion
- Reduction in energy consumption of 52 Giga Watts, equivalent to around 70 major power stations
- Reduction in CO<sub>2</sub> emissions of 10.7 Giga Tonnes

#### *Advantages of SSL technology*

SSL is an ideal replacement for traditional lighting for a number of reasons:

- **Efficiency** – SSL is between three and ten times more electrically efficient (depending upon colour) than traditional light sources and more efficient to manufacture and recycle
- **Low requirements for maintenance** – SSL devices are rugged and shock proof and have a life time in excess of 30,000 operating hours compared with traditional light sources of 1,000 operating hours. An SSL device will typically outlast the life time of the lighting fixture
- **Compatibility with heat sensitive environments** – SSL is cool and safe to touch (circa 50°C) compared with traditional lighting (200°C or greater), and does not radiate heat directly towards the illumination subject
- **Safety** – SSL uses low voltage, typically 5V to 12V, and is electrically safe as mains supply voltages of 240V can be isolated from the illumination fixtures. SSL does not emit rogue ultra violet radiation, unlike fluorescent tubes. There are no user serviceable parts, substantially reducing the risks of end user accidents
- **Ecologically friendly** – No mercury or hazardous substances are used in the manufacture of SSL. Conversely, several drops of mercury are added to every single fluorescent tube, requiring highly inefficient processing at the end of a tube's life, practically nullifying the environmental efficiency benefits of a fluorescent tube

#### *The technology behind SSL*

SSL technology utilises LEDs as sources of illumination rather than electrical filaments or gas as used in traditional lighting. The term 'solid state' refers to the fact that light from an LED is emitted by a solid object – the semiconductor – as a consequence of converting electric current (electrons) into light (photons), and not as a by-product of raising an object to an extremely high temperature, as is the case with traditional incandescent lighting. LEDs emit light as a direct function of the current passing through them, meaning that LEDs can emit light across the whole visible spectrum at any specific colour desired, compared to traditional lighting hardware that can produce only one colour (white).

In recent years the price of semiconductor material has reduced over time and efficiencies have increased, enabling the cost effective adoption of SSL into the existing lighting market. In 2003 the cost per Lumen was around US \$0.08 and today the cost per Lumen within the SSL market is just over US \$0.03, forecast to be US \$0.01 by 2011.

Within the SSL market, there have been advances in luminous flux that have been achieved by operating the chip structure at a higher level of input current, and by increasing the physical dimensions of the chip. Both methods require specialised packaging to remove the higher amount of heat generated within the chip. The requirement for removal of heat has historically been a limiting factor in the advancement of LED technology. Enfis has found a solution to this difficult problem, allowing it to design and manufacture one of the highest powered arrays commercially available today, and has made it the subject of some of its patents.

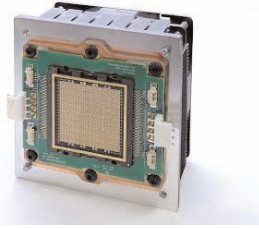
#### 4. The Group's products

Enfis has designed, manufactured and now made commercially available high powered, full spectrum, intelligent LED arrays, drawing upon its 19 patents and patent applications, know-how and other intellectual property. By the end of February 2007, Enfis had shipped 300 light engines and arrays. Enfis' light engines combine a high powered LED array with associated controlling electronics and heat management components. Enfis' light engines have a number of distinguishing features including:

- **High power density LED array** – Enfis' products have one of the highest power density LED arrays commercially available today. Using proprietary packaging patented techniques, Enfis has developed a 0.5cm<sup>2</sup> array using 100 LED chips, emitting over 1,000 Lumens per cm<sup>2</sup>, and a 16cm<sup>2</sup> array using 1,000 LED chips, emitting over 300 Lumens per cm<sup>2</sup>
- **High efficiency** – LEDs are renowned for their efficiency. The Enfis light engine adds to this benefit by integrating high efficiency electronics and thermal management to provide light sources which offer up to five times the efficiency of conventional incandescent light sources. In operation, it can currently produce high power light up to 30 Lumens per Watt with a technology road map predicting improvement to more than 60 Lumens per Watt in the next 24 months
- **Heat management** – Enfis light engines are designed to remove heat effectively from the high powered LED array, increasing its reliability and power capability and reducing the specification and the need for ancillary cooling systems. Enfis has filed and pending patents covering novel cooling systems, which it will seek to integrate into future products
- **Digital colour spectrum** – Controllable via a normal PC, over 4 billion colours can be selected with instant changeability
- **Fully integrated** – Enfis' light engine needs only power to work so immediate user adoption is available
- **Intelligence** – Enfis' light engine is a highly intelligent device, incorporating:
  - **Programmability and controllability** – The programmability of the Enfis light engine allows value added integrators or distributors to configure and define the working parameters of the Enfis light engine without any detailed SSL technology skills. This provides a feature rich set of options to the integrator or lighting fixture designer and enables them to develop new and exciting products quickly and efficiently. The end user can then use and control the Enfis light engine easily through the feature set made available
  - **Network intelligence** – The Enfis light engine can be controlled by a number of standard interfaces including RS-232, Bluetooth, Wi-Fi and Ethernet. Using this communication, the light engines can be part of a domain and controlled simultaneously or separately
  - **Reliability** – The Enfis light engine is constantly self monitoring, ensuring that optimum light output, colour rendering and colour temperature is maintained and that efficiency performance is guaranteed and kept in calibration of limits set by integrators. If for any reason the light engine does not perform to set criteria, it can immediately communicate to the network that it needs attention

### ***Current products***

Enfis currently has three fully integrated plug and play light engines on the market with varying levels of power output and functionality:



**QUATTRO** – Enfis’ highest-power product, the QUATTRO light engine consists of a 200W, 1,000 LED chip 16cm<sup>2</sup> array delivering over four billion digitally selectable colours. This is one of the highest power arrays commercially available on the market today with extensive features and advanced management controls.



**UNO** – The UNO light engine consists of a 36W, 100 LED chip 0.5cm<sup>2</sup> array delivering a single colour. This is mounted using Enfis’ proprietary process on a small circuit board with associated electronics and integrated heat removal system. Operating from 5V-12V, the UNO has an optical feedback utility for auto power control.



**UNO Portable** – The UNO portable is a portable version of the UNO. Applications include forensic, medical, dental and curing applications.

Enfis is targeting a gross margin of 50 per cent. on standard products, and higher on niche applications.

### ***Future products***

Enfis expects to launch a 1,000 Lumen full colour changeable light engine later in 2007 and a 1,000 Lumen temperature tuneable white light engine in early 2008. The Directors believe that both of these products will have wide and appealing application, particularly in the retail markets. A more powerful 50W version of the UNO is also expected to be launched this year.

## **5. The market**

### ***Market participants***

Amongst the participants in the global specialist lighting market, the Directors believe that none has a product which can match the Enfis light engine in terms of plug and play functionality and power density. Many of the large lighting companies, such as Osram, Philips and Zumtobel, offer single chip packages. Typically, these packages are capable of being powered up to only 5W and need to be arranged into a cluster of LEDs to compete with a more traditional light source. Enfis’ LED arrays start at 18W of input power and, when combined with driving and thermal management electronics, enable the advanced integrated light engine products that Enfis offers.

Smaller participants, such as Lamina Ceramics and Optodiode provide high power LED arrays for specialist markets but have not provided the compact integrated light engine solution around the LED array in the same manner as the Enfis approach. Luminus Inc. specialises in high density arrays which are focused on projection applications for consumer devices such as rear projection televisions. TIR’s white light changing technology has a maximum output of 35W, compared with Enfis’ QUATTRO, the output of which is 200W.

Larger market participants have been acquiring SSL know-how through corporate consolidation. Philips acquired Lumileds as a result of which it gained control of its Luxeon LED product line. General Electric acquired GELCore thereby gaining control of its LED product line and customer base in signage, transportation lighting and displays. Zumtobel has made an investment in TIR Systems and also formed a joint venture with Toyoda Gosei to develop new LED components and LED lighting technology.

In the specialist lighting market today there are many LED suppliers but very few designers who understand the thermal management, electrical interface issues and optics of LEDs. Very few large luminaire manufacturers have in-house LED fixture designers. As a result, most large companies have traditionally outsourced the design of LED fixtures.

### *Market trends*

For 25 years, LEDs were only powerful enough to be used as indicator lamps and in alpha-numeric displays. In the early to mid 1990s, High Brightness LEDs (“HBLEDs”) were developed with performance levels reaching the point where signage and signalling applications in the outdoor (i.e. full sunlight) environment could be addressed across the full colour spectrum.

From 1995 through to 2005, the HBLED market grew at an average annual rate of 42 per cent. Most of this market growth was driven by adoption of HBLEDs in three principal applications:

- **Signalling** – for example, traffic signals, automobile brake lights
- **Display of information** – for example, outdoor video screens, single colour variable message signs
- **Backlighting** – for example, automobile instrument panels, mobile phone LCD displays and keypads

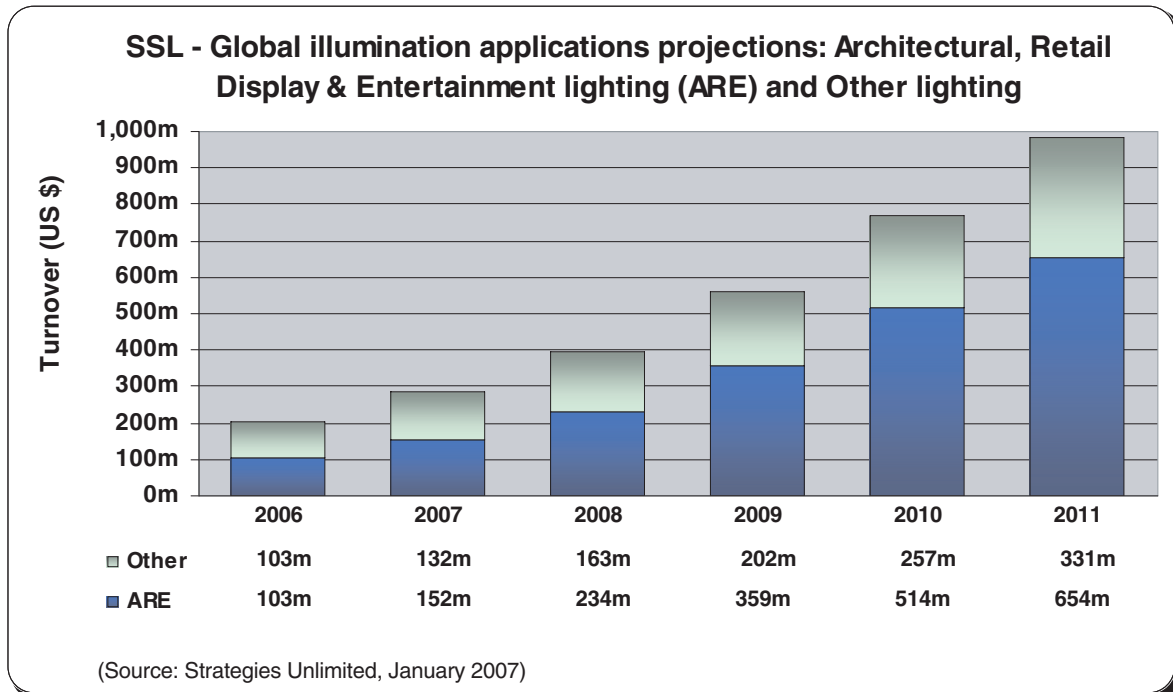
The market for HBLEDs in illumination applications – that is, applications in which the light from an LED is used to illuminate an object or surface, rather than being viewed directly to provide information or a signal – amounted to US \$205 million in 2006, or approximately 5 per cent. of the overall HBLED market. In spite of its small share in the overall HBLED market, illumination applications was the fastest growing segment in 2006, and the market is forecast to grow to just under US \$1 billion in 2011.

The total SSL market (incorporating Lasers, HBLEDs and low power LEDs) is set to grow to US \$22 billion by 2010, of which the illumination applications market will be US \$771 million, rising to US \$985 million in 2011. The Board believes that the historic adoption of LED technology into traffic lights in the US provides a visible precedent to this projected penetration by SSL technology into the global lighting market. Simple LED technology was adopted relatively rapidly into the traffic light network in the US, with 30 per cent. converting in the three year period to 2003. With a 140W incandescent bulb typically being replaced in each traffic light by LEDs consuming only 11W, this decreased US energy costs by circa US \$145 million per annum, as well as reducing the ongoing burden of maintenance and downtime.

## 6. Strategy

### Target markets

The Board is currently targeting the architectural, entertainment and retail segments of the illumination applications market, representing the most immediately penetrable markets for the Enfis light engine. These target segments are projected to represent 66 per cent. of the illumination applications market in 2011 and are set for a compound annual growth rate of 45 per cent. between 2006 and 2011 (Source: Strategies Unlimited, January 2007).



The Directors anticipate that Enfis' products will be adopted for a wide scope of applications within each segment.

### Architectural lighting

Architectural lighting encompasses the lighting of built-up environments where the integration of light sources and architectural elements is critical. It covers indoor as well as outdoor environments, where LEDs are likely to perform better than other technologies in adverse weather conditions and temperature variations. LED lighting is ideal for architectural applications that require colour or design flexibility, in places that are difficult to reach and maintain.

To date, white light LEDs in the market have not produced high enough power output to make them competitive with many general light sources other than as accent lights. The Directors believe that Enfis' LED light engines have the necessary power levels to be able to penetrate the high intensity architectural lighting markets where large buildings or spaces require high power light sources.

Typical solid-state architectural lighting fixtures include:

- Wall washers
- Floodlights
- Accent lights
- Spotlights
- Path lights

### Retail display lighting

Retail lighting requirements include both general area lighting as well as product-specific display lighting that enhances the appearance of particular products. Virtually all types of light sources have, to date, been used in retail lighting, including incandescent, halogen, fluorescent, ceramic metal halide, fibre optic, and, most recently, LEDs.

Retail display lighting with LEDs is a relatively recent development in LED lighting, with the entry of white LEDs to the retail display lighting market in selected applications in 2006. The major early adopters include jewellery retailers, cosmetics companies, retailers of high-end merchandise (e.g. Gucci, Tiffany) and chain grocery stores, such as Wal-Mart. Clinique specified LED lighting for all of its new cosmetic counters in 2006.

The LED retail display market is expected to enjoy robust growth in 2007 and beyond and the Directors believe that the Enfis light engine will contribute to this growth through its variable colour offering, high intensity light, low heat output and controllability.

#### *Entertainment lighting*

The entertainment lighting market encompasses music concerts, theatres, television studios, discos and clubs. Entertainment lighting is full of colour changing applications. In order to generate colour, a gel filter is placed over the light source, reducing the light output significantly. Gel filters have a limited life, fading or even melting over time, with replacement cost and maintenance implications. Colour changing LED lights eliminate the need for these gel filters and additional accessories.

The Directors believe that most of the new fixtures in colour-changing entertainment applications are likely to be LED-based. Given the Lumen output of LEDs to date, the number of applications in which LEDs could be used has been limited in large venues such as theatres, mostly being used for wall washes and concentrated beams of colour. To date, LEDs have not been able to be used for spots or as follow spots.

The Directors believe that Enfis' light engine products are ideally suited to the entertainment lighting market, with the ability to replace existing fixtures immediately. One 200W Enfis Quattro unit, for example, could replace a 700W halogen spot in a theatre, providing an immediate lighting energy cost saving as well as the benefit of digital light on demand, providing vivid, precise colour control from a palette of over four billion colours. Replacement costs and maintenance would be substantially reduced and, with the lower generation of heat, air-conditioning requirements would also be materially lowered.

#### ***Manufacturing***

A key aspect of Enfis' strategy is the outsourcing of manufacturing, which is carried out in two stages.

##### *Manufacturing of arrays*

Enfis' arrays consist of a special Enfis-designed thermally conductive substrate with a pre-defined metal pattern. Semiconductor LED chips are placed on the substrate using a proprietary attachment process and bond wires are affixed also by a proprietary process. The LED chips are protected using a special encapsulation process. The array is integrated into the light engine and can also be sold as a stand alone product.

Manufacturing of the arrays is referred to as packaging and consists of microelectronics based assembly techniques to attach the LED chips precisely to the substrate and also to form wire bonds precisely to the chips. The array packaging process is relatively complex, involving a certain amount of IP and know-how. The Enfis arrays are designed in-house using semi automatic production methods which can produce small pre-production quantities. Once the design is finalised it is sent to a low volume subcontractor to prove the process for mass manufacture. Part of the proceeds of the Placing will be used to purchase prototyping equipment to take this proving process in-house and reduce the overall time to market. There is a global market of providers for the outsourcing of the array packaging process. Enfis aims to establish three sources of qualified manufacturing partners for the packaging process, allowing it to scale appropriately from small batches to mass manufacture and also to ensure disaster scenarios are fully covered.

Enfis currently has an approved capacity for up to 200 UNO LED arrays per month via a single source sub-contractor and is currently working with three other packaging houses which will provide a capacity in excess of 1,000 UNO LED arrays per month by June 2007. This capacity will allow Enfis to meet and exceed its predicted sales pipeline of the UNO product until March 2008, given current sales forecasts. Once predicted sales volumes exceed these levels the product will be transferred to higher volume subcontractors who are not currently accessible due to the lower volume of production required at this time.

When utilising outsource partners, consideration of leakage of IP is important. Enfis performs detailed audits of each sub-contractor and scrutinises the processes for protection of IP within each. In most cases, Enfis specifies manufacturing and assembly areas that are secure and specific, with shaded

windows and guarded entry to protect against unauthorized viewing. The sub-contractors offer dedicated floor space, equipment, engineers and supply chain management to protect Enfis' proprietary drawings, materials and products.

*Manufacturing of light engines*

The LED array is combined with Enfis' intelligent proprietary electronics and thermal management to form the Enfis smart light engine. The light engine assembly process is similar to the process of assembly of a PC motherboard and microprocessor and uses advanced components based on industry standards and designed with years of experience concerning the boundaries of the LED light engine performance. All design aspects are performed internally.

Enfis currently has an approved capacity for up to 300 UNO light engines per month via a single source sub-contractor, which is projected to grow to in excess of 1,000 UNO light engines per month. Enfis is currently working with three other assembly houses which will each provide a capacity in excess of 1,000 light engines per month when qualified. This capacity will allow Enfis to meet and exceed its predicted sales pipeline of the UNO product until March 2008, given current sales forecasts. Once predicted sales volumes exceed these levels the product will be transferred to higher volume subcontractors who are not currently accessible due to the lower volume of production required at this time.

**Routes to market**

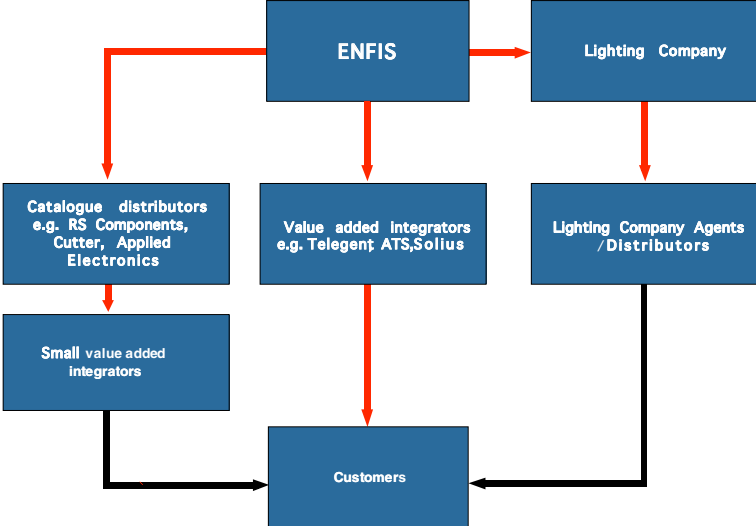
Enfis sees three routes to market for its products.

Initial sales activities of the Group are focused upon the large electronics and optoelectronics catalogue distribution companies. This is in order to make the Enfis light engine products as widely available to the market and at the disposal of as many lighting designers and lighting engineers as possible. The immediate focus on this route to market is intended to serve as an announcement of the emergence of high output LED light engines and that a step change to high output multi-Watt SSL is underway. Since November 2006, the Company has entered into eight distributor agreements, which is increasing the advertisement of its products within distributor catalogues. Enfis' products are already listed on certain companies' websites, including Cutter in Australia and RS Components in the UK. The Group intends to establish distributor bases in the UK and Europe this year, the Far East next year and in North America the year following.

The second route to market is via the value added integrators (the luminaire designers). The value added integrators typically may have only 20 products in their portfolio. However, they understand the technology and market place intimately and seek to secure strategic contract wins for their product range. These contract wins may be less regular than those achieved by the catalogue companies but are likely to be larger in volume and value.

Thirdly, Enfis will seek strategic R&D tie ups with the major lighting manufacturers such as GE, Sylvania and Ushio. Enfis believes that these relationships will move more towards licensing opportunities for the Enfis light engine technology.

Enfis intends to support the catalogue distributors and value added integrators through marketing and education activities run with the distributors' and integrators' customer bases.



## 7. Current trading and prospects

Since the launch of Enfis' light engine at Electronica in November 2006, and the positive reception of the product, Enfis has seen significant interest from the distributor community. Enfis has already signed eight distributors, providing coverage in Western Europe and Asia Pacific; the pipeline of interest continues to increase in these regions and a gathering momentum of interest from North America is visible. The forward business is in line with the Directors' expectations and the management will continue to develop the Group's products and channels to market.

## 8. Reasons for the Placing and Admission

The Placing comprises 3,214,286 Ordinary Shares at the Placing Price of 140p per Ordinary Share. The Company will raise gross proceeds before expenses (assuming full subscription of the Placing Shares under the Placing) of £4.5 million. The Placing is not being underwritten.

The Directors believe that the admission to trading on AIM and the Placing will be beneficial to the Company because it will:

- Raise the profile of the Group
- Fund the ongoing costs of the Group whilst it grows its sales and provide the Group with additional working capital
- Enable the Group to put in place infrastructure for sales and marketing
- Enable the Group to purchase in-house prototyping equipment, thereby reducing time to market
- Provide scope for the continued incentivisation of its staff and create wider ownership within the Group
- Heighten the commercial benefit of Enfis' technology lead
- Protect IP in new products and processes

## 9. The Board

The Directors of the Company are:

- **Simon Gibson**, *Chairman and Non-Executive Director* (aged 49) – Simon was the co-founder and president of Ubiquity Software Plc recently acquired by Avaya for £77m, and is Chief Executive of Wesley Clover Corporation, a significant shareholder in Enfis
- **Shaun Oxenham**, *Chief Executive Officer* (aged 38) – Shaun has 15 years' experience of creating and managing business ventures in developing and leading edge environments. Prior to joining Enfis in January 2002, Shaun was Managing Director (Europe) of Ubiquity Software Corporation
- **Giles Davies**, *Chief Financial Officer* (aged 39) – Giles is a qualified chartered accountant who began his career with KPMG. Prior to joining Enfis in January 2006, Giles was the Group Finance Director of Tinopolis plc and previously was UK Finance Manager at Dorling Kindersley plc
- **Gareth Jones**, *Chief Technology Officer* (aged 38) – Gareth joined the Enfis Board in February 2002 and was appointed Chief Technology Officer in June 2002. Gareth is responsible for the scientific and technical direction of Enfis, setting the research and development plan and providing technical and market input for the product roadmap strategy. Prior to joining Enfis, Gareth was the Product Manager at IQE plc with responsibility for major aspects of all the laser and LED product business
- **Drew Nelson**, *Non-Executive Director* (aged 52) – CEO of IQE plc, an AIM listed company formed from the merger of QED with EPI, which he founded, in 1998. IQE was listed on AIM in 2000 and had a market capitalisation on 14 March 2007 of £73.1 million
- **Ron Jones**, *Non-Executive Director* (aged 58) – Ron Jones is a founder and Executive Chairman of Tinopolis plc, one of the UK's largest television production companies and listed on AIM and had a market capitalisation on 14 March 2007 of £36.5 million. He was previously with Arthur Andersen & Co where he qualified as a Chartered Accountant and became a partner in that firm, leaving in 1988
- **John Thynne**, *Non-Executive Director* (aged 75) – Previously a senior official at the DTI and formerly a director of Newbridge Networks Corporation, a NYSE listed company, and a number of other Wesley Clover Corporation and Celtic House Investment Partnership companies

## **10. Share option schemes**

The Rules of an Enterprise Management Incentive Scheme and an Executive Option Scheme have been adopted in place of a share option scheme previously operated by Enfis.

As at the date of this document 1,096,350 options have been granted under the Share Option Schemes. The maximum number of Ordinary Shares over which options may be granted under the Share Option Schemes, excluding the 1,096,350 options granted prior to Admission, shall represent approximately 12 per cent. of the Company's issued Ordinary Share capital on the date of grant. Options which lapse or are waived or cancelled will not count for the purposes of this limit.

The remuneration committee has discretion over the granting of options under the Share Option Schemes. The current intention of the remuneration committee is to grant options amounting to approximately six per cent. of the Company's issued Ordinary Share capital, at the Placing Price, to the executive Directors (comprising two per cent. to each of Shaun Oxenham, Giles Davies and Gareth Jones (subject to vesting conditions)), and retain options up to an additional circa six per cent. of the Company's issued Ordinary Share capital for future grants to other members of staff.

A summary of the EMI scheme and the Executive Option Scheme is included in Paragraph 7 of Part 7 of this document.

## **11. Corporate governance**

The Board is responsible for establishing the strategic direction of the Company, monitoring the Company's performance against its business plan and its trading performance. The Board currently consists of three Executive Directors and four Non-Executive Directors. Ron Jones has been nominated as the senior independent Non-Executive Director. The Board has a procedure through which the Directors are able to take independent advice in the furtherance of their responsibilities. The Directors have access to the advice and services of the Company Secretary, Giles Davies, who is responsible for ensuring that Board procedures are followed and compliance with applicable rules and regulations.

Following Admission, the Company and the Directors intend to comply with the Combined Code on the Principles of Good Governance and the Code of Best Practice (the "Combined Code") so far as is reasonably practicable for a company of the Company's size. Where full compliance is not appropriate, due to the Company's size, the Directors will refer to guidance issued by the Quoted Companies Alliance.

The Board meets regularly throughout the year and all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings will take place or other arrangements will be made when Board decisions are required in advance of regular meetings. The Board has established guidelines requiring specific matters to be subject to a decision by the full Board (with other matters delegated to Board committees). The Board is responsible for leading and controlling the Group and, in particular, for formulating, reviewing and approving the Group's strategy, budget, major items of capital expenditure and acquisitions and disposals. In addition, the Board has established a remuneration committee and an audit committee with formally delegated duties and responsibilities, which have written terms of reference as summarised below.

All of the Non-Executive Directors are deemed to be independent non-executive directors for the purposes of the Combined Code. Each of the Non-Executive Directors holds options in the Company, but as no Non-Executive Director holds options exceeding one per cent. of the issued share capital of the Company immediately following Admission, the Board is satisfied that their independence is not compromised.

### ***The remuneration committee***

This committee is chaired by Ron Jones. Its other members are Simon Gibson and John Thynne. Only Non-Executive Directors will be on the remuneration committee. The remuneration committee will meet formally at least twice a year and otherwise as required. The remuneration committee, within agreed terms of reference, will consider all material elements of remuneration policy, remuneration and incentives of Executive Directors (including pension rights and compensation payments) and senior management with reference to independent remuneration research and professional advice. The Board will then be responsible for implementing the recommendations and agreeing the remuneration packages of individual Directors and senior management. The remuneration committee will also be responsible for making recommendations for grants of options under the Share Option Schemes as well as, where appropriate, setting performance conditions attached to the grant of options under the Share Option Schemes. In accordance with the remuneration committee's terms of reference, no Director will be able to participate in discussions relating to his own terms and conditions of remuneration. Fees for the Chairman and other Non-Executive Directors will be determined by the full Board on the advice of the remuneration committee.

The remuneration committee also has responsibility for considering the size, structure and composition of the Board, the retirement and appointment of Directors and will make appropriate recommendations to the Board in relation to these matters.

### ***The audit committee***

The audit committee is chaired by John Thynne and also comprises Simon Gibson and Drew Nelson. It will meet whenever there is business to discuss and at least twice each year. The audit committee is responsible for ensuring that the financial performance of the Group is properly monitored, controlled and reported on. It will also meet the auditors without Executive Directors being present, and review reports from the auditors relating to accounts and internal control systems.

The Guidance published by the Institute of Chartered Accountants in England and Wales (commonly known as the Turnbull Report) concerning the internal control requirements of the Combined Code has been brought to the attention of the Directors. In line with the Turnbull Report, the Board expects to keep under regular review key business risks in addition to the financial risks facing the Group in the operation of its business.

The Directors intend to comply with Rule 21 of the AIM Rules relating to dealings by directors and applicable employee(s) dealings in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code.

## **12. Historical financial information**

The following summarises Enfis' financial performance, showing the actual results for 2004 – 2006. The results for 2004 were prepared under Generally Accepted Accounting Principles in the United Kingdom (UK GAAP), while the results for 2005 and 2006 are reported under the basis of International Financial Reporting Standards (IFRS).

	<i>Year ended</i> <i>31 December 2004</i>	<i>Year ended</i> <i>31 December 2005</i>	<i>Year ended</i> <i>31 December 2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Turnover	256	370	222
Gross profit / (loss)	150	79	(84)
Loss before tax	(292)	(920)	(1,453)

For further information on Enfis' financial record, see Part 5.

## **13. Dividend policy**

As Enfis is in the early stages of its growth and business, it is not possible, at this stage, to pay a dividend. If the Company's business becomes profitable and distributable reserves become available, the Directors will review the dividend policy.

## **14. Taxation**

Information regarding United Kingdom taxation with regard to the Placing is set out in paragraph 11 of Part 7 of this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

The Company has received confirmation from HMRC that an investment in the Ordinary Shares will be regarded as a qualifying holding for the purposes of investment by a VCT.

The Company has received confirmation from HMRC that the present activities and organisation of the Company enable it to be regarded as a qualifying company for the purposes of the EIS rules and that the Ordinary Shares are eligible for the purposes of EIS relief.

## **15. CREST**

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument, in accordance with the CREST Regulations. The Company's articles of association permit the holding of Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Regulations. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission, and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if Shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## **16. Further considerations**

Your attention is drawn to the risk factors set out in Part 3 of this document and the information contained in the rest of this document.

## PART 2

### DETAILS OF THE PLACING

#### **Placing arrangements**

The Placing, which is not being underwritten, comprises the placing of 3,214,286 Placing Shares at the Placing Price on behalf of the Company. The Placing is intended to raise approximately £4.5 million before expenses for the Company. Noble is acting as agent for the Company in respect of the Placing.

The Placing is conditional, *inter alia*, upon Admission taking place no later than 8.00am on 23 March 2007 (or such later date, being not later than 5.00 pm on 3 April 2007 as the Company and Noble may agree). The Placing Shares allotted pursuant to the Placing will, following allotment, rank *pari passu* in all respects with the Existing Ordinary Shares and will have the right to receive all dividends and other distributions thereafter declared, made or paid in respect of the issued Ordinary Shares.

The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, including the absence of any breach of warranty made by the Company or the Directors and Admission occurring on or before 23 March 2007 (or such later date that may be agreed between Noble and the Company and not being later than 5.00 pm on 3 April 2007).

#### ***Placing Agreement***

The Placing Agreement, dated 16 March 2007 is made between the Company, Noble, the Directors and Wavelight. Under the terms of the Placing Agreement, Noble has agreed, subject to certain conditions, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement is conditional, *inter alia*, upon, amongst other matters, Admission occurring on or before 8.30 am on 23 March 2007 (or such later date as the Company and Noble may agree, being not later than 5.00 pm on 3 April 2007). The Placing Agreement contains certain warranties from the Directors and the Company relating, amongst other things, to the accuracy of information contained in this Document and other matters relating to the Company and its business, and an indemnity from the Company in favour of Noble in respect of, amongst other things, the performance by Noble of its services in connection with the Placing and Admission. Such warranties and indemnities are customary in an agreement of this kind. Noble has the right to terminate the Placing Agreement in certain circumstances, in particular, if there is a material breach of any of the warranties before Admission or if certain events of force majeure arise, also prior to Admission.

Under the Placing Agreement the Company has agreed to pay Noble (together with any applicable VAT) a corporate finance fee of £95,000 and a commission of 4.25 per cent. of the proceeds of the Placing Shares being placed on behalf of the Company. The Company shall also pay for the reasonable legal and other out-of-pocket expenses of Noble.

#### ***Allocation and Pricing***

All Placing Shares will be placed at the Placing Price. The 3,214,286 Placing Shares will represent approximately 36 per cent of the issued ordinary share capital of the Company immediately after Admission and the Placing.

#### **Orderly market arrangements**

Under the terms of the Placing Agreement and lock-in deeds, each of the Directors who hold Ordinary Shares at the date of this document Wavelight and certain other Shareholders have undertaken to Noble, subject to certain limited exceptions (including, for example, in the case of a takeover offer for the Company and, in the case of Wavelight and Finance Wales Investments Limited as described below) not to dispose of any interest in their Ordinary Shares until twelve months after Admission without the prior written consent of Noble. Under the terms of the Placing Agreement, Noble has agreed to use its reasonable endeavours to achieve the sale of all of the Ordinary Shares held by Wavelight. This agreement can be terminated by Wavelight at any time in which the orderly market arrangements described above continue to apply. If all of Wavelight's Ordinary Shares are sold during the 12 months following Admission, Finance Wales Investments Limited shall be permitted, for the remainder of the period, to sell its Ordinary Shares, through Noble as broker.

The lock-in arrangements outlined above will apply in respect of 4,728,666 Ordinary Shares, being 53 per cent. of the Company's issued share capital immediately after the Placing.

### **Dealing arrangements**

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. on 23 March 2007.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The articles of association of the Company, adopted conditionally on Admission, will permit the holding and transfer of Ordinary Shares under CREST. The Directors have applied for the Ordinary Shares to be admitted to CREST, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred and CREST has agreed to such admission. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain a share to certificate will be entitled to do so.

It is expected that definitive share certificates will be despatched by first class post to those shareholders whose entitlements are to be dealt with outside CREST at the risk of the person entitled thereto on 30 March 2007 or as soon thereafter as is practicable and that the CREST accounts in respect of those shareholders who have requested that their entitlements are dealt with inside CREST will be credited on 23 March 2007.

### **Information about the Ordinary Shares**

#### ***Form and currency of the Placing Shares***

The Placing Shares will, when issued, be in registered form and will be capable of being held in certificated form. The registrars of the Company are Capita IRG plc. The ISIN of the Ordinary Shares is GB00B1TK2453.

The Placing Shares will be denominated in pounds sterling.

#### ***Description of restrictions on free transferability***

Save as set out below, the Placing Shares will be freely transferable.

The Company may, under the Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, among other things, that any transfer of the shares which are the subject of the statutory notice is void.

The Directors may also, without giving any reason and in their absolute discretion, refuse to register the transfer of any Ordinary Shares which are not fully paid.

The Directors may also decline to register any transfer unless: (i) it is lodged with the Company accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require; or (ii) the transfer instrument is in respect of one class of share; or (iii) in the case of a transfer to joint holders, the number of joint holders to which the shares are in to be transferred does not exceed four.

### **Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares**

#### ***Mandatory bids***

The City Code on Takeovers and Mergers (the "City Code") applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and depending on the circumstances its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the

outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous twelve months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### ***Squeeze-out***

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares to which its offer relates within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders informing them that it will be compulsorily acquiring their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

### ***Sell-out***

The Act would also give minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all of the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those shares.

The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## PART 3

### RISK FACTORS

**An investment in the Ordinary Shares could involve certain significant risks. If any of the following risks actually materialise, the Group's business, financial condition or results of operations could be materially and adversely affected. In such circumstances, the value of the Ordinary Shares could decline and an investor could lose all or part of his investment.**

Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company's business. Accordingly, prior to making an investment decision, prospective investors should read and consider carefully the risk factors described below and all the other information contained in this document.

#### **Risks relating to the business**

##### ***New product development***

The Company's operating plan assumes that its product roadmap will be delivered on time. There is a risk that certain elements of this roadmap could be delayed as they rely on leading edge technology developments being completed on time and to specification, and the provision of certain items of technology from key suppliers.

##### ***Volatility of operating results***

Operating results may fluctuate, which makes Enfis' results difficult to predict and could cause its results to fall short of expectations. The Company's operating results may fluctuate as a result of a number of factors, many of which are outside its control, such as the fact that the anticipated signing of distributors may not proceed as planned. Other factors that may affect the Group's operating results include increased competition; an increased level of costs as it continues to expand its services; inability to benefit, to the extent envisaged in Enfis' business plan, from a drop in manufacturing costs associated with economies of scale; increased employment costs as the market in which the Group operates improves; slower than expected take-up by consumers of its products and services; and changes to the statutory and regulatory regime in which it operates. It is possible that, in the future, the Group's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Group's shares may decline significantly.

##### ***Requirement for additional capital***

The Group may be required to conduct further fundraising exercises in the future in order to develop its business and sustain cash resources. The Group's capital requirements will depend on numerous factors and most notably its revenue streams from new products and emerging markets in 2007 and 2008. The Directors are confident that following the Placing, the Company will have sufficient capital in place for the next 12 months. If its capital requirements vary materially from its plans, the Group may require further financing in addition to the amounts raised in the Placing. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may place restrictions on the Group's financing and operating activities. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

##### ***Reliance on senior management and other personnel***

The Company's future success depends in a large part upon the continued service of key members of its senior management team. The loss of any of its management or key personnel could seriously harm its business. The competition in the Company's industry for appropriately skilled employees is intense. The Company's continued ability to compete effectively depends on its ability to attract new employees and to retain and motivate its existing employees.

##### ***Technology risks***

The technology used in the Company's products is still evolving and highly complex and may change rapidly.

Undetected defects could increase costs or reduce revenues. The Company's products are complex and may contain undetected defects when first introduced and problems may be discovered from time to time in existing, new or enhanced products.

### ***Limited history of sales***

Enfis has limited historical financial data from which to predict its future sales and operating results. Enfis' limited operating experience in the context of its current product range limits its ability to forecast sales accurately. Enfis has no historical empirical data relating to the current product range and consequently it is difficult to forecast sales accurately. Most of Enfis' expenses are fixed in the short term or incurred in advance of anticipated sales and as a result, Enfis may not be able to reduce its expenses in time to offset any shortfall in sales.

### ***Dependence upon sales to certain parties***

In the event that sales to certain parties represent a high percentage of turnover, sales would be adversely affected if one or more of these parties were to reduce, delay or cancel their purchases significantly for any reason. In addition, there is a risk that contracts that Enfis anticipates signing with distributors or other customers or commercial partners will not be entered into despite initial indications that this will be the case.

### ***Reliance on a small number of distributors***

Sales to a small number of distributors could generate a significant amount of Enfis' turnover. If any of such distributors were to materially reduce their purchases from Enfis or if Enfis' relationships with such distributors were adversely affected for other reasons, Enfis could suffer disruption while it made arrangements to find another distributor. As a result, Enfis' business and results of operations would be likely to suffer. In addition, any difficulty in collecting outstanding amounts due from Enfis' major distributors would harm Enfis' financial performance.

### ***Reliance on third-party contractors***

Enfis will rely on third-party contractors – some of which may be based overseas – to manufacture, assemble and test its products. Enfis currently has only one third-party contractor, with which it has no long-term supply contract, and which is not contractually bound to perform services or supply products to Enfis for any specific period, or in any specific quantities, except as may be provided in a particular purchase order. This contractor does not have the capacity to manufacture at the scale projected in the Enfis business plan and there is a risk that, should Enfis not formalise arrangements appropriately with sufficient contractors, its business plan will be constrained and there will be a shortfall in sales.

There are significant risks for Enfis associated with its reliance on third party contractors, including:

- Potential price increases
- Capacity shortages
- The ability of these third parties to increase production on a timely basis
- Increased exposure to potential misappropriation of its intellectual property
- Shortages of materials that the third party contractors use to manufacture its products
- Labour shortages or labour strikes
- Actions taken by its third-party contractors in breach of their obligations

### ***Protection of intellectual property***

The success of Enfis depends to some extent on its ability to protect its intellectual property and trade secrets and to avoid the risk of infringing intellectual property rights owned by others. Despite prudent steps taken by Enfis to protect its proprietary rights, third parties may attempt to copy aspects of Enfis' products and seek to use information that Enfis regards as proprietary. Competitors may also independently develop similar technologies or seek to recruit Enfis' employees who have had access to proprietary technology, processes or operations of Enfis. There is a risk that Enfis' means of protecting its intellectual property rights may not be adequate and weaknesses or failures in this area could adversely affect Enfis' business.

Enfis cannot be certain that the steps it has taken will prevent unauthorised use of its technology, particularly in foreign countries where the laws may not protect its proprietary rights as fully as do the laws of England and Wales.

Enfis cannot be certain that patents will be issued as a result of its pending applications nor can Enfis be certain that any issued patents will provide adequate protection or provide the means to prevent third parties from selling products which compete with Enfis' products. There is a significant risk that patents issued to Enfis may be circumvented or challenged or declared invalid or unenforceable. Enfis also cannot be certain that others will not develop effective competing technologies of their own.

### ***Intense competition***

Many of Enfis' current and potential competitors have longer operating histories, greater name recognition, access to larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than Enfis. As a result, they may be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion and sales of their products than Enfis can. Enfis' current and potential competitors may develop and introduce new products that will be priced lower, provide superior performance or achieve greater market acceptance than Enfis' products. In addition, in the event of a manufacturing capacity shortage, these competitors may be able to obtain capacity when Enfis is unable to do so. Furthermore, Enfis' current or potential competitors have established or may establish, financial and strategic relationships among themselves or with existing or potential customers or other third parties to increase the ability of their products to address the needs of Enfis' prospective customers. Accordingly, it is possible that new competitors or alliances among competitors could emerge and rapidly acquire significant market share, which would harm Enfis' business.

### ***Foreign exchange risk***

Enfis' business transactions may not all be denominated in the same currency. For example, Enfis may sign distribution agreements with entities which insist on paying Enfis in their local currencies and Enfis' cost base may be denominated partly in sterling and partly in other currencies. To the extent that the Group's business transactions are not all denominated in the same currency, the Group is exposed to foreign currency exchange rate risk. Fluctuations in foreign currency exchange rates may adversely affect the Group's profitability. At this time, the Group does not plan to actively hedge its foreign currency exchange rate risk.

## **Risks relating to Admission**

### ***AIM***

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. The value of the Ordinary Shares may go down as well as up. Investors may therefore realise less than the original amount subscribed pursuant to the Placing and could lose their entire investment. The market value of the Ordinary Shares may not necessarily reflect the underlying net asset value of the Group.

### ***Share price effects of sales of Ordinary Shares***

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by certain shareholders following the end of the orderly marketing period referred to in the paragraph headed "Orderly market arrangements" in Part 2 of this document or the perception that the sales could occur, or otherwise.

***The market price of the Ordinary Shares may fluctuate significantly***

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares, like the share price of many publicly traded technology companies, may prove to be highly volatile. The market price of the Ordinary Share may fluctuate significantly in response to a number of factors, some of which are beyond Enfis' control, including: variations in operating results in Enfis' reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by Enfis of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; loss of a major customer; the inability to secure an adequate supply of materials from suppliers in a timely fashion; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; future issues or sales of Ordinary Shares; and stock market price and volume fluctuations, which are particularly common with respect to the securities of technology companies. Any of these events could result in a material decline in the price of the Ordinary Shares.

**PART 4**  
**FINANCIAL INFORMATION ON THE COMPANY**  
**SECTION A – ACCOUNTANTS’ REPORT ON THE IFRS FINANCIAL**  
**INFORMATION OF THE COMPANY**



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Noble & Company Limited  
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Edinburgh  
Midlothian  
EH2 3BU

16 March 2007

Dear Sirs

**Enfis Group plc**

**Introduction**

We report on the special purpose financial information set out below. This special purpose financial information has been prepared for inclusion in the admission document dated 16 March 2007 (the “**Admission Document**”) of Enfis Group plc (the “**Company**”) on the basis of the accounting policies set out in note 1 to the special purpose financial information. This report is required by Schedule Two of the AIM Rules and is given for the purposes of complying with that schedule and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the special purpose financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the special purpose financial information gives a true and fair view and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the AIM Rules, consenting to its inclusion in the Admission Document.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the special purpose financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the special purpose financial information and whether the accounting policies are appropriate to the Company's circumstances consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the special purpose financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the special purpose financial information gives, for the purposes of the document dated 16 March 2007, a true and fair view of the state of affairs of the Company as at the date stated in accordance with International Financial Reporting Standards as adopted by the European Union.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM rules.

Yours faithfully

PricewaterhouseCoopers LLP  
*Chartered Accountants*

**PART 4**

**FINANCIAL INFORMATION ON THE COMPANY**

**SECTION B – SPECIAL PURPOSE IFRS**

**FINANCIAL INFORMATION ON THE COMPANY**

The balance sheet of the Company at 2 March 2007 is as follows:

	<i>Notes</i>	<i>£</i>
<b>Current assets</b>		
Cash and cash equivalents	2	2
<b>Total assets</b>		2
<b>Equity</b>		
Ordinary shares	2	2
<b>Total equity</b>		2

**Notes to the special purpose financial information**

**1. Accounting policies**

The balance sheet has been prepared in accordance with the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union.

**2. Share Capital**

The Company was incorporated on 1 March 2007 with an authorised share capital of £50,000 comprising 50,000 ordinary shares of £1 each.

On 1 March 2007, the Company allotted 2 £1 ordinary shares for cash, fully paid.

**3. Post balance sheet events**

On 16 March 2007,

- the two existing ordinary shares of £1 in issue were subdivided and redesignated into 20 ordinary shares of 10p each;
- the existing 49,998 authorised but unissued ordinary shares of £1 each were subdivided and redesignated into 499,980 ordinary shares of 10p each; and
- the authorised share capital of the Company was increased from £50,000 to £1,500,000 by the creation of 14,500,000 ordinary shares of 10p each

On 16 March 2007, the Company entered into a share exchange agreement with the shareholders of Enfis, under which the company acquired the entire issued share capital of Enfis, and issued 5,721,754 ordinary shares of 10p each as consideration for that acquisition being three Ordinary Shares in the Company for each ordinary share of Enfis.

**PART 5**  
**FINANCIAL INFORMATION ON ENFIS**  
**SECTION A – ACCOUNTANTS’ REPORT ON THE IFRS**  
**FINANCIAL INFORMATION OF ENFIS**  
**FOR THE TWO YEARS ENDED 31 DECEMBER 2006**



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Noble & Company Limited  
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Edinburgh  
Midlothian  
EH2 3BU

16 March 2007

Dear Sirs

**Enfis Limited**

We report on the financial information on Enfis Limited (“**Enfis**”) set out below. This financial information has been prepared for inclusion in the admission document dated 16 March 2007 (the “**Admission Document**”) of Enfis Group plc. (the “**Company**”) on the basis of the accounting policies set out below. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair views and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the AIM Rules consenting to its inclusion in the Document.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the document dated 16 March 2007, a true and fair view of the state of affairs of Enfis as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP  
*Chartered Accountants*

**PART 5**

**FINANCIAL INFORMATION ON ENFIS**

**SECTION B – IFRS FINANCIAL INFORMATION OF ENFIS**

**FOR THE TWO YEAR ENDED 31 DECEMBER 2006**

**Income statement for the years ended 31 December 2006 and 31 December 2005**

	<i>Notes</i>	<i>2006</i> £	<i>2005</i> £
Revenue	5	221,582	370,228
Cost of sales		<u>(305,457)</u>	<u>(290,793)</u>
<b>Gross (loss)/profit</b>		<b>(83,875)</b>	79,435
Administrative expenses		<b>(1,333,609)</b>	(955,907)
Other income		<u>46,031</u>	<u>23,630</u>
<b>Operating loss</b>		<b>(1,371,453)</b>	(852,842)
Finance income	18	<b>10,380</b>	9,807
Finance costs	19	<u>(92,037)</u>	<u>(77,326)</u>
<b>Loss before income tax</b>		<b>(1,453,110)</b>	(920,361)
Income tax credit	21	—	<u>143,444</u>
<b>Loss for the year</b>		<b><u>(1,453,110)</u></b>	<b><u>(776,917)</u></b>
<b>Attributable to:</b>			
Equity holders of the company		<u>(1,453,110)</u>	<u>(776,917)</u>
<b>Earnings per share for loss attributable to the equity holders of the Company</b>		<u>(27.3p)</u>	<u>(16.9p)</u>

The results relate to continuing operations.

The notes on pages 36 to 57 are an integral part of these financial statements.

## Balance sheet as at 31 December 2006 and 31 December 2005

	<i>Notes</i>	<i>2006</i> £	<i>2005</i> £
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	6	<b>190,767</b>	131,526
Intangible assets	7	<b>121,133</b>	95,812
		<b>311,900</b>	227,338
<b>Current assets</b>			
Inventories	9	<b>61,429</b>	34,983
Trade and other receivables	8	<b>317,456</b>	51,224
Corporation tax receivable		<b>975</b>	149,740
Cash and cash equivalents		<b>218,782</b>	832,460
		<b>598,642</b>	1,068,407
<b>Total assets</b>		<b>910,542</b>	1,295,745
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	10	<b>1,820</b>	1,495
Share premium	10	<b>2,553,992</b>	1,834,957
Preference shares (equity element)	11	<b>77,792</b>	77,792
Share option reserve	11	<b>221,254</b>	145,535
Share warrants	11	<b>30</b>	30
Retained losses		<b>(2,913,068)</b>	(1,459,958)
<b>Total equity</b>		<b>(58,180)</b>	599,851
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income	13	<b>47,377</b>	—
Borrowings	14	<b>518,260</b>	459,081
		<b>565,637</b>	459,081
<b>Current liabilities</b>			
Trade and other payables	12	<b>339,871</b>	218,772
Borrowings	14	<b>63,214</b>	18,041
		<b>403,085</b>	236,813
<b>Total liabilities</b>		<b>968,722</b>	695,894
<b>Total equity and liabilities</b>		<b>910,542</b>	1,295,745

The notes on pages 36 to 57 are an integral part of these financial statements.

**Statement of changes in equity for the years ended 31 December 2006 and 31 December 2005**

	<i>Share capital (note 10) £</i>	<i>Share Premium (note 10) £</i>	<i>Other Reserves (note 11) £</i>	<i>Retained earnings £</i>	<i>Total £</i>
Balance at 1 January 2005	1,279	649,462	165,143	(683,041)	132,843
Loss for the year	—	—	—	(776,917)	(776,917)
Employee share option scheme:					
– Value of employee services	—	—	58,214	—	58,214
Issue of share capital	216	1,185,495	—	—	1,185,711
<b>Balance at 31 December 2005</b>	<b>1,495</b>	<b>1,834,957</b>	<b>223,357</b>	<b>(1,459,958)</b>	<b>599,851</b>
<b>Balance at 1 January 2006</b>	<b>1,495</b>	<b>1,834,957</b>	<b>223,357</b>	<b>(1,459,958)</b>	<b>599,851</b>
Loss for the year	—	—	—	(1,453,110)	(1,453,110)
Employee share option scheme:					
– Value of employee services	—	—	75,719	—	75,719
Issue of share warrants	—	—	—	—	—
Issue of share capital	325	719,035	—	—	719,360
<b>Balance at 31 December 2006</b>	<b>1,820</b>	<b>2,553,992</b>	<b>299,076</b>	<b>(2,913,068)</b>	<b>(58,180)</b>

**Cash flow statement for the years ended 31 December 2006 and 31 December 2005**

	<i>Notes</i>	<i>2006</i>	<i>2005</i>
		£	£
<b>Cash flows from operating activities</b>			
Cash used in operations	24	<b>(1,224,571)</b>	(652,282)
Interest paid		<b>(20,554)</b>	(21,481)
R&D tax credits received		<b>148,764</b>	60,466
Net cash used in operating activities		<b>(1,096,361)</b>	(613,297)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	<b>(102,483)</b>	(123,931)
Purchase of intangible assets	7	<b>(58,410)</b>	(71,161)
Receipt of government subsidies		<b>118,600</b>	22,000
Interest received		<b>9,259</b>	9,807
Net cash used in investing activities		<b>(33,034)</b>	(163,285)
<b>Cash flows from financing activities</b>			
Proceeds from the issuance of ordinary shares		<b>482,267</b>	1,185,711
Proceeds from borrowings		<b>52,763</b>	48,480
Repayments of borrowings		<b>(2,525)</b>	(1,500)
Finance lease principal repayments		<b>(16,788)</b>	(9,095)
Net cash generated from financial activities		<b>515,717</b>	1,229,596
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(613,678)</b>	453,013
Cash and cash equivalents at the beginning of the year		<b>832,460</b>	379,447
<b>Cash and cash equivalents at the end of the year</b>		<b>218,782</b>	832,460

## Notes to the financial statements for the years ended 31 December 2006 and 31 December 2005

### 1. General information

The principal activity of the company is the design, development, manufacture and sale of light emitting diode based arrays and light engines.

The company is a limited liability company incorporated and domiciled in England and Wales.

The directors consider there to be no ultimate controlling shareholder of the company.

The address of the registered office is Technium 2, Kings Road, Swansea Waterfront, Swansea, SA1 8PJ and the registered number of the company is 04292138.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 *First time adoption of IFRS transitional arrangements*

For financial periods commencing from 1 January 2005, all European Union (“EU”) listed companies are required to prepare financial statements under International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board and endorsed by the EU. The AIM admission rules require that financial information presented in an admission document must be prepared on a basis consistent with the basis of preparation to be adopted for the first set of financial statements that are required to be prepared as a listed company. Accordingly, the 31 December 2005 financial information is the first prepared in accordance with EU adopted IFRS.

Certain income statement and balance sheet items, previously reported under UK GAAP, have been reclassified to comply with the Company’s format for reporting under EU adopted IFRS. In addition to this, certain other balances have been re-measured by applying the Company’s new accounting policies in accordance with EU adopted IFRS’s from 1 January 2005. The information presented below sets out the principle differences between UK GAAP and IFRS as they apply to the Company and a reconciliation of the differences arising is set out in note 29.

#### *Primary financial statements format*

The IFRS primary financial statements are presented in accordance with IAS 1 – ‘Presentation of Financial Statements’.

The Company qualifies as a small company under the terms of Section 247 of the Companies Act 1985 and therefore was exempt from the requirement to prepare a cash flow statement in the 31 December 2005 financial statements. The preparation and presentation of cash flow statements in accordance with IAS 7 – ‘Cash Flow Statements’ in the financial information for the years ended 31 December 2005 and 31 December 2006 is the first time that the Company has presented a cash flow statement in accordance with relevant GAAP. The Company’s underlying cash position is unaffected by the transition to IFRS.

#### *First time adoption exemptions applied*

IFRS 1, ‘First-time adoption of International Financial Reporting Standards’ sets out the transitional rules which must be applied when IFRS is applied for the first time. The Company is required to select accounting policies, in accordance with IFRS, valid at the first reporting date and apply those policies retrospectively. The standard sets out certain mandatory exceptions to retrospective application and certain optional exemptions. None of the available exemptions have been applied on first time adoption of IFRS.

#### *Notes to income statement and balance sheet reclassifications*

Certain income statement items and balance sheet balances previously reported under UK GAAP have been reclassified to comply with the format of the Company financial statements as presented under IFRS.

Current corporation tax balances previously included within trade and other receivables falling due within one year, have been shown separately on the face of the balance sheet. The reclassification does not have any effect on the Company's previously reported net income, net assets or shareholders' funds.

#### *Notes to IFRS remeasurements*

The Company operates a share option scheme. Under UK GAAP the charge to the profit and loss account is recognised based on the difference between the market value of the shares at the balance sheet date and the exercise price (i.e. an intrinsic value basis) spread over the performance period. IFRS 2 requires that all share options, awarded to employees as remuneration, should be measured at each grant date, using an option pricing model, and charged against profits over the period between grant date and vesting date, being the vesting period.

## **2.2 Basis of preparation**

The financial information has been prepared in accordance with the requirements of the AIM rules and in accordance with International Financial Reporting Standards (including International Financial Reporting Interpretations Committee ( IFRIC ) interpretations) as adopted by the European Union (IFRSs as adopted by the EU), the historical cost convention and the Companies Act 1985, except as described below.

IFRSs as adopted by the EU do not provide for the specific accounting treatments set out below and, accordingly, in preparing the financial information certain accounting conventions commonly used for the preparation of historical financial information, for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board, have been applied. The application of these conventions results in the following departures from IFRSs, as adopted by the EU. Other than these departures IFRSs, as adopted by the EU, have been applied.

- Presentation of financial information for 2005 without comparative information.
- Presentation of earnings per share figures based upon the number of shares expected to be in issue immediately prior to the Placing and Admission.
- Basis of preparation:
  - i) The financial information for 2005 and 2006 has been prepared applying IFRS GAAP that will be applicable for financial years ended 31 December 2007.
  - ii) The financial information for 2005 and 2006 has been prepared on a going concern basis on the assumption that the Placing and Admission are successful.

### **Going Concern**

For the purposes of this document, the financial information has been prepared on a going concern basis, on the assumption that Enfis Group plc will raise funds of £4.5 million through an initial public offering of shares on the Alternative Investment Market of the London Stock Exchange Plc. This financial information does not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should Enfis Limited be unable to continue as a going concern and therefore be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial information.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

## 2.2 *Basis of preparation (continued)*

- (a) Standards, amendments and interpretations effective, but not considered relevant to the Company:
- IFRS 4 ‘Insurance contracts’
  - IFRS 6 ‘Exploration for and evaluation of mineral resources’
  - IAS 28 ‘Investments in associates’
  - IAS 31 ‘Interests in joint ventures’
  - IFRIC 2 ‘Members shares in co-operative entities and similar instruments’
  - IFRIC 4 ‘Determining whether an arrangement contains a lease’
  - IFRIC 5 ‘Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds’
  - IFRIC 6 ‘Liabilities arising from participating in a specific market – Waste electrical and electronic equipment’
  - IFRIC 7 ‘Applying the restatement approach under IAS 29 ‘Financial reporting in hyperinflationary economies’
  - IAS 39 ‘Amendment – Cashflow hedge accounting of forecast intra group transactions’
  - IAS 39 ‘Amendment – The fair value option’
  - IAS 39 ‘Amendment – Financial guarantee contracts’
- (b) Interpretations to existing standards that are not yet effective and have not been early adopted by the company
- IFRIC 11 ‘group and treasury share transactions’, effective for periods commencing on or after 1 March 2007.

## 2.3 *Segmental reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

## 2.4 *Foreign currency translation*

The functional currency of the company is sterling.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## 2.5 *Intangible fixed assets – patents*

Acquired patents associated with internally developed intellectual property are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (5 years).

## 2.6 *Property, plant and equipment*

All property, plant and equipment is stated at historical cost less accumulated depreciation. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the assets.

## 2.6 *Property, plant and equipment (continued)*

Depreciation on all property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plant and machinery	20%
Fixture and fittings	20%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other net (losses)/gains in the income statement.

Repairs and maintenance expenditure is written off to the profit and loss account as incurred.

## 2.7 *Research and development*

Expenditure on research is charged to the profit and loss account as incurred.

Expenditure on product development is capitalised as an intangible asset in the balance sheet from the date that the expenditure incurred on the development meets all the capitalisation criteria as set out in IAS 38 'Intangible assets' and detailed below:

- Technical feasibility of completing the asset so that it will be available for use or sale can be demonstrated;
- The intention to complete the asset and use or sell it can be demonstrated;
- The ability to use or sell the asset can be demonstrated;
- The ability to demonstrate how the asset will generate probable future economic benefits;
- The ability to demonstrate the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- The ability to measure reliably the expenditure attributable to the asset during its development.

Expenditure on product development is expensed to the profit and loss account as incurred where the capitalisation criteria in IAS 38 are not met. Development costs recognised as an expense are not recognised as an asset in a subsequent period.

## 2.8 *Financial assets*

The company has a single class of financial asset which is classified as loans and receivables. The classification depends on the purpose for which the financial assets were acquired and management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as 'trade and other receivables' in the balance sheet and are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

## 2.9 *Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

## 2.9 *Trade receivables (continued)*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised within administrative expenses in the income statement.

## 2.10 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The cost of finished goods comprises the purchase price including transport and handling costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2.11 *Cash and cash equivalents*

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments, with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## 2.12 *Share capital*

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share warrants are recognised in equity at fair value on the date of issue.

## 2.13 *Trade payables*

Trade payables are non derivative financial liabilities with fixed or determinable payments. Trade payables are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

## 2.14 *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest rate method.

The debt element of preference shares with an embedded equity conversion option is classified as liabilities and the fair value of the equity conversion option classified as equity. The dividends on these preference shares are recognised in the income statement as an interest expense. The fair value of the liability portion of the preference shares is determined using an appropriate discount factor applied to the forecast cashflows assumed to arise under the terms of the investment. This amount is recorded as a liability on an amortised cost basis using the effective interest rate method until extinguished on conversion or redemption of the preference shares. The remainder of the proceeds is allocated to, the conversion option which is recorded in equity. This is recognised and included in shareholders equity.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 2.15 *Deferred Taxation*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is

### 2.15 *Deferred Taxation (continued)*

determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 2.16 *Revenue*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Revenue is shown net of value added taxes, returns and rebates and represents the sale of light emitting diode based arrays and light engines.

Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefit will flow to the company under the terms of any sale agreements. Revenue is not considered to be reliably measurable until all contingent clauses in sale agreements are met.

### 2.17 *Government grants and subsidies*

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and that the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Capital grants that relate to specific capital expenditure are included in non-current liabilities as deferred income which is credited to the profit and loss account over the related asset's useful life.

### 2.18 *Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of their useful lives and the lease term.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum leased payments.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

### 2.19 *Share Options*

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### **3 Financial risk**

#### **3.1 Financial risk factors**

The company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

(a) *Price risk*

The company has periodic price reviews within distributor sales contracts that enable the company to reassess and adjust for price risk as part of contractual negotiations.

Commodity price risk is assessed as low as a result of the various supply alternatives available for key components.

(b) *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The company's credit risk is primarily attributable to its trade receivables balance. The amounts presented in the balance sheet are net of allowances for doubtful debts.

(c) *Liquidity risk*

The company utilises medium-term debt finance, principally a floating rate bank loan guaranteed under the Small Firm Loan Guarantee Scheme and fixed rate debt in the form of preference shares to ensure the company has sufficient funds for operations.

(d) *Interest rate cash flow risk*

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash balances, which earn interest at fixed and floating rates. Interest bearing liabilities comprise debt at fixed and floating rates.

### **4. Critical accounting estimates and judgements**

In the preparation of the financial information the directors must make estimates and assumptions that effect the asset and liability items and revenue and expense amounts recorded in the financial information. These estimates are based on historical experience and various other assumptions that the Board believe are reasonable under the circumstances. The results of this form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

#### ***Development expenditure***

The principal area where judgement has been exercised in relation to the financial statements is in respect of development costs. The company has incurred £623,952 of product development costs in the year ended 31 December 2005 and £751,590 of product development costs in the year ended 31 December 2006. The product development costs incurred in 2005 and 2006 have been expensed to the profit and loss account as incurred as the Board does not believe that all the criteria for capitalisation as set out in IAS 38 'Intangible assets' have been met. In particular, at the time of the development of new products, the company did not have certainty that sufficient finance to fund the development to achieve economic levels of sales would be available.

### **5. Segmental information**

The directors consider that the company operates in one business and one geographic segment.

The company's principally activity consists of the design, development, manufacture and sale of light emitting diode based arrays and light engines in the United Kingdom with turnover and loss on ordinary activities arising entirely from the company's principal activity.

## 6. Property, Plant and Equipment

	<i>Plant &amp; Machinery</i> £	<i>Fixtures Fittings Tools &amp; Equipment</i> £	<i>Total</i> £
<b>2005</b>			
<b>Cost</b>			
At 1 January 2005	34,904	15,190	50,094
Additions	103,110	20,821	123,931
<b>At 31 December 2005</b>	<u>138,014</u>	<u>36,011</u>	<u>174,025</u>
<b>Depreciation</b>			
At 1 January 2005	15,030	5,879	20,909
Charge for the year	17,069	4,521	21,590
<b>At 31 December 2005</b>	<u>32,099</u>	<u>10,400</u>	<u>42,499</u>
<b>Net book value</b>			
<b>At 31 December 2005</b>	<u>105,915</u>	<u>25,611</u>	<u>131,526</u>
<b>2006</b>			
<b>Cost</b>			
At 1 January 2006	138,014	36,011	174,025
Additions	97,488	4,995	102,483
<b>At 31 December 2006</b>	<u>235,502</u>	<u>41,006</u>	<u>276,508</u>
<b>Depreciation</b>			
At 1 January 2006	32,099	10,400	42,499
Charge for the year	35,747	7,495	43,242
<b>At 31 December 2006</b>	<u>67,846</u>	<u>17,895</u>	<u>85,741</u>
<b>Net book value</b>			
<b>At 31 December 2006</b>	<u>167,656</u>	<u>23,111</u>	<u>190,767</u>

The net book value of plant and machinery in 2005 includes an amount of £49,645 in respect of assets held under finance leases and hire purchase contracts.

The net book value of plant and machinery in 2006 includes an amount of £87,229 in respect of assets held under finance leases and hire purchase contracts.

## 7. Intangible fixed assets

	<i>Patents</i>
	£
<b>2005</b>	
<b>Cost</b>	
At 1 January 2005	59,699
Additions	71,161
<b>At 31 December 2005</b>	<u>130,860</u>
<b>Amortisation</b>	
At 1 January 2005	16,050
Charge for year	18,998
<b>At 31 December 2005</b>	<u>35,048</u>
Net book value	
<b>At 31 December 2005</b>	<u>95,812</u>
<b>2006</b>	
<b>Cost</b>	
At 1 January 2006	130,860
Additions	58,410
<b>At 31 December 2006</b>	<u>189,270</u>
<b>Amortisation</b>	
At 1 January 2006	35,048
Charge for year	33,089
<b>At 31 December 2006</b>	<u>68,137</u>
Net book value	
<b>At 31 December 2006</b>	<u>121,133</u>

Patents include the external third party cost associated with the acquisition of patents for internally developed intellectual property and know how. Intangible amortisation is recognised within administrative expenses in the income statement.

## 8. Trade and other receivables

	<i>2006</i>	<i>2005</i>
	£	£
Trade receivables	57,712	24,492
Less: provision for impairment of trade receivables	<u>(33,962)</u>	—
Trade receivables (net)	23,750	24,492
Prepayments	3,707	2,095
Other debtors	289,999	24,637
<b>Current portion</b>	<u>317,456</u>	<u>51,224</u>

The fair value of trade and other receivables at 31 December 2005 and 31 December 2006 approximate to the book values stated above.

At 31 December 2006 other debtors includes £237,013 of unpaid share capital relating to a rights issue made during the year. The unpaid share capital has been cash received in the post balance sheet period.

## 8. Trade and other receivables (continued)

Movements on the company provision for impairment of trade receivables are as follows:

	2006 £	2005 £
At 1 January	—	—
Provision for receivables impairment	<b>33,962</b>	—
<b>At 31 December</b>	<b>33,962</b>	—

## 9. Inventories

	2006 £	2005 £
Raw materials and consumables	<b>61,429</b>	34,983

The directors consider that the difference between the purchase price of inventories and their replacement cost is not material.

## 10. Share capital and premium

	<i>Number of Shares</i>	<i>Ordinary shares £</i>	<i>Share premium £</i>	<i>Total £</i>
At 1 January 2005	1,278,831	1,279	649,462	650,741
Proceeds from shares issued	215,965	216	1,185,495	1,185,711
<b>At 31 December 2005</b>	1,494,796	1,495	1,834,957	1,836,452
Proceeds from shares issued	325,252	325	719,035	719,360
<b>At 31 December 2006</b>	<b>1,820,048</b>	<b>1,820</b>	<b>2,553,992</b>	<b>2,555,812</b>

At 31 December 2005 the total authorised number of ordinary shares is 2,000,000 with a par value of 0.1p per share. At 31 December 2005 all issued shares are fully paid up.

At 31 December 2006 the total authorised number of ordinary shares is 3,000,000 with a par value of 0.1p per share. Of the issued shares 1,713,499 are fully paid up.

### *Share Options*

Share options are granted to directors and to selected employees. The exercise price of granted options is set out in the table on page 52.

Options are conditional on the employee remaining within the employment of the company on the exercise date (the vesting period). Options issued under the unapproved share option scheme are exercisable as follows:

- 25 per cent. of the option shares on and from the first anniversary of the date of grant.
- 25 per cent. of the option shares on and from the second anniversary of the date of grant.
- 25 per cent. of the option shares from the third anniversary of the date of grant.
- 25 per cent. of the option shares on and from the fourth anniversary of the date of grant.
- On listing of the company shares on an official exchange all options vest.

The options have a contractual option term of ten years from the date of grant. The company has no legal or constructive obligation to repurchase or settle the options in cash.

## 10. Share capital and premium (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	<i>Average exercise per share</i>	<i>Options Number</i>
At 1 January 2005	0.1p	232,000
Forfeited	0.1p	(10,000)
<b>At 31 December 2005</b>	<b>0.1p</b>	<b>222,000</b>
At 1 January 2006	0.1p	<b>222,000</b>
Granted – 2 January 2006	344p	<b>51,500</b>
Forfeited	344p	<b>(8,500)</b>
<b>At 31 December 2006</b>		<b><u>265,000</u></b>

Out of the 222,000 outstanding options at 31 December 2005 110,000 were exercisable.

Out of the 265,000 outstanding options at 31 December 2006 166,500 were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

<i>Expiry date</i>	<i>Exercise price per share</i>	<i>Shares 2006</i>	<i>Shares 2005</i>
2013 – expiry date 23 July	0.1p	222,000	222,000
2016 – expiry date 2 January	344p	43,000	—
		<u>265,000</u>	<u>222,000</u>

The weighted average fair value of the options granted on 23 July 2003, determined using the Black-Scholes valuation model, was 99.9p per option. The significant inputs into the model were weighted average share price of 100p at the grant date, exercise price shown above, volatility of 70 per cent., risk free rate of 5.14 per cent. and a dividend stream of nil.

The weighted average fair value of the options granted on 2 January 2006, determined using the Black-Scholes valuation model, was 100.6p per option. The significant inputs into the model were weighted average share price of 344p at the grant date, exercise price shown above, volatility of 70 per cent., risk free rate of 5.14 per cent. and a dividend stream of nil.

## 11. Other reserves

	<i>Convertible Preference Shares £</i>	<i>Share Warrants £</i>	<i>Share Option Reserve £</i>	<i>Total £</i>
Balance at 1 January 2005	77,792	30	87,321	165,143
Valuation in year	—	—	58,214	58,214
<b>Balance at 31 December 2005</b>	<b><u>77,792</u></b>	<b><u>30</u></b>	<b><u>145,535</u></b>	<b><u>223,357</u></b>
Balance at 1 January 2006	<b>77,792</b>	<b>30</b>	<b>145,535</b>	<b>223,357</b>
Issued in year	—	—	—	—
Valuation in year	—	—	75,719	75,719
<b>Balance at 31 December 2006</b>	<b><u>77,792</u></b>	<b><u>30</u></b>	<b><u>221,254</u></b>	<b><u>299,076</u></b>

The convertible preference share reserve relates to the equity component of the compound derivative preference shares in issue. Full details of the preference shares are set out in Note 14.

The share warrant reserve relates to the fair value of the equity component of share warrant instruments issued by the company. The fair value attributable to the warrants is the nominal value of the ordinary shares potentially exercisable under the terms of the instrument.

## 11. Other reserves (continued)

The share option reserve relates to the distributable reserve arising from the IFRS 2 'Share based payments' accounting treatment for share options issued by the company to directors and employees.

## 12. Trade and other payables

	2006 £	2005 £
Trade payables	227,017	140,913
Social security and other taxes	49,449	23,002
Other creditors	5,091	497
Accrued expenses	28,314	50,353
Deferred income	30,000	4,007
	<u>339,871</u>	<u>218,772</u>

## 13. Non current liabilities – deferred income

	2006 £	2005 £
Deferred income	<u>47,377</u>	<u>—</u>

## 14. Borrowings

	2006 £	2005 £
<b>Current borrowings</b>		
Bank loan	30,300	2,525
Obligations under finance leases and hire purchase contracts	32,914	15,516
	<u>63,214</u>	<u>18,041</u>
<b>Non-current borrowings</b>		
Bank loan	118,675	148,975
Obligations under finance leases and hire purchase contracts	45,868	27,132
Preference shares	353,717	282,974
	<u>518,260</u>	<u>459,081</u>

### *Bank borrowings*

	2006 £	2005 £
<b>Bank loan</b>		
Amounts falling due:		
Between one and two years	30,300	30,300
Between three and five years	88,375	90,900
Over five years	—	27,775
<b>Total due after more than one year</b>	<u>118,675</u>	<u>148,975</u>
<b>Due within one year</b>	<u>30,300</u>	<u>2,525</u>

Bank borrowings mature until December 2011 and bear interest of 2.5 per cent. over Base Rate (2005: 2.5 per cent. over Base Rate).

Total borrowings include secured bank loans and finance lease liabilities of £227,857 (2005: £194,148).

The bank loan is repayable in 60 monthly instalments commencing December 2006. Interest on the loan is payable quarterly at 2.5 per cent. above base rate. A guarantee premium of 2 per cent. per annum is also payable quarterly in advance. The loan is guaranteed by the Department of Trade and Industry under the Small Firm Loan Guarantee Scheme (SFLG).

#### 14. Borrowings (continued)

The loan is secured by way of a fixed and floating charge over the assets of the company.

##### *Finance leases*

	2006 £	2005 £
<b>Finance lease liabilities – minimum lease payments:</b>		
No later than one year	<b>38,338</b>	18,180
Later than one year no later than 5 years	<b>49,241</b>	28,785
	<b>87,579</b>	46,965
Future finance charges on finance leases	<b>(8,797)</b>	(4,318)
<b>Present value of finance lease liabilities</b>	<b>78,782</b>	42,647
The present value of finance lease liabilities is as follows:		
No later than one year	<b>32,914</b>	15,516
Later than one year and no later than five years	<b>45,868</b>	27,131
	<b>78,782</b>	42,647

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The company has the option to purchase the assets held under finance leases at the end of the lease agreements for a nominal value.

The exposure of the company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2006 £	2005 £
12 months or less	—	—
1-5 years	<b>148,975</b>	151,500
	<b>148,975</b>	151,500

The carrying amounts and fair value of the non-current borrowings are as follows:

	<i>Carrying amount</i>		<i>Fair value</i>	
	2006	2005	2006	2005
Bank loan	<b>118,675</b>	148,975	<b>118,675</b>	148,975
Obligations under finance leases	<b>45,868</b>	27,132	<b>45,868</b>	27,132
Preference shares	<b>353,717</b>	282,974	<b>272,000</b>	217,600
	<b>518,260</b>	<b>459,081</b>	<b>436,543</b>	393,707

The fair value of bank and finance lease borrowings approximates to their carrying amount.

The fair value of the preference share debt at 31 December 2005 and 31 December 2006 has been calculated using a discount factor of 25 per cent. that has been applied to the contractual cash flows set out under the redemption terms of the preference shares. The cash flows assumed in the fair value calculation exclude any cash flows that might arise in respect of cumulative preference dividends and the redemption premium of £100,000 on the basis that the company has insufficient distributable reserves to make these payments.

## 14. Borrowings (continued)

### Convertible redeemable preference shares

The company issued 300,000 10 per cent. cumulative fixed dividend preference shares at a par value of £300,000 in 2004. The 10 per cent. cumulative preference shares carry a fixed cumulative preferential dividend at the rate of 10 per cent. per annum, payable annually in arrears. At 31 December 2005 cumulative arrears on the preference share dividend totalled £33,750 and at 31 December 2006 the arrears totalled £63,750.

The preference shares can be converted into 0.1p ordinary equity shares and 10p deferred ordinary equity shares at the option of the holder. The conversion rights enable the holder to convert the preference shares in the ratio of 344 preference shares convertible into 100 ordinary shares and 3,439 deferred ordinary shares.

The preference shares are redeemable by the holder as follows:

- (a) Upon 12 months written notice at any time after the second anniversary of the investment date the holder can redeem 100,000 preference shares for £100,000.
- (b) Upon 24 months written notice at any time after the second anniversary of the investment date the holder can redeem 200,000 preference shares for £300,000.
- (c) The company can redeem all the preference shares at any time after the seventh anniversary of the investment date for £400,000.
- (d) On a winding up the holders have priority before all other classes of share to receive repayment of capital plus any arrears of dividends.

The value of the liability component and the equity conversion component of the preference shares were determined at issuance of the shares. The fair value of the liability component, included in non-current borrowings, was calculated using a discount rate of 25 per cent. that has been applied to the contractual cash flows set out under the redemption terms of the preference shares. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves, net of income taxes.

The convertible redeemable preference shares are recognised in the balance sheet as follows:

	2006 £	2005 £
Equity component	<u>77,792</u>	<u>77,792</u>
Liability component at 1 January	282,974	226,379
Interest expense	<u>70,743</u>	<u>56,595</u>
<b>Liability component at 31 December</b>	<b><u>353,717</u></b>	<b><u>282,974</u></b>

### 15. Deferred income tax

A deferred tax asset of £403,562 (2005: £142,940) exists. The deferred tax asset has not been recognised in the 31 December 2006 and 31 December 2005 financial statements on the grounds of uncertainty surrounding its recoverability. The composition of the deferred tax asset which has not been recognised in the financial statements is:

	2006 £	2005 £
Un-provided deferred taxation comprises:		
Accelerated capital allowances	19,583	23,159
Tax losses	(341,616)	(107,864)
Other timing differences	<u>(81,529)</u>	<u>(58,235)</u>
Un-provided deferred taxation	<b><u>(403,562)</u></b>	<b><u>(142,940)</u></b>

## 16. Expenses by nature

	2006 £	2005 £
Raw materials and consumables used	<b>305,457</b>	290,793
Employee benefit expense (note 17)	<b>901,377</b>	714,425
Depreciation and amortisation	<b>76,331</b>	40,588
Operating lease payments	<b>46,085</b>	51,453
Other expenses	<b>309,816</b>	149,441
Total cost of sales and administrative expenses	<b><u>1,639,066</u></b>	<b><u>1,246,700</u></b>

Raw materials and consumables used includes £254,548 (2005: £284,692) and employee benefit expense includes £497,042 (2005: £339,260) of development costs associated with the development of products. The development costs have been written off in the period on the basis that the directors do not believe that the company has satisfied the adequacy of financial resource test set out in IAS 38 'Intangible assets'.

Other expenses include £738 (2005: (£2,240)) of foreign exchange gains/(losses).

During the year the company obtained the following services from the company's auditors at costs as detailed below:

	2006 £	2005 £
Fees payable to company auditor for audit of company		
– Company	<b>5,000</b>	4,000
Fees payable to the company's auditor for other services		
– Tax services	<b>2,500</b>	2,450
Other services pursuant to legislation	<b>500</b>	500
Total	<b><u>8,000</u></b>	<b><u>6,950</u></b>

## 17. Employee benefit expense

	2006 £	2005 £
Wages and salaries	<b>744,285</b>	511,859
Social security costs	<b>81,373</b>	51,213
Share options granted to directors and employees	<b>75,719</b>	58,214
	<b><u>901,377</u></b>	<b><u>621,286</u></b>
Number of employees	<b><u>24</u></b>	<b><u>16</u></b>

## 18. Finance income

	2006 £	2005 £
Bank interest receivable	<b>10,380</b>	9,807

## 19. Finance costs

	2006 £	2005 £
Bank loans and overdrafts	<b>18,222</b>	19,251
Preference share interest	<b>70,743</b>	56,595
Finance charges payable under finance leases and hire purchase contracts	<b>3,072</b>	1,480
	<b><u>92,037</u></b>	<b><u>77,326</u></b>

## 20. Directors' emoluments

	2006 £	2005 £
Aggregate emoluments	<b>154,200</b>	<b>139,466</b>

The beneficial interest of the directors in the issued share capital of the company is as follows:

	31 December 2006 Number	31 December 2005 Number
<b>Ordinary shares</b>		
Prof K Board	<b>317,758</b>	290,450
Prof I R Cameron	<b>26,784</b>	26,381
S J Gibson	—	—
J C J Thynne	<b>1,756</b>	1,454
Dr G Jones	<b>12,598</b>	12,598
S P Oxenham	<b>13,455</b>	12,998
O G R Jones	—	—
Dr. A W Nelson	<b>269,758</b>	179,330
	<b>642,109</b>	<b>523,211</b>

Wesley Clover Wales Limited who owned 583,618 shares at 31 December 2006 (31 December 2005: 465,339 shares), are represented on the board by S J Gibson and J C J Thynne, both of whom are non-executive directors.

### Share options

Share options granted to the Directors under the Company's unapproved share option scheme are shown below:

	At 1 January 2005 Number	Issued Number	Forfeited Number	31 December 2005 Number
Prof K Board	10,000	—	—	10,000
Prof I R Cameron	10,000	—	—	10,000
S J Gibson	10,000	—	—	10,000
J C J Thynne	10,000	—	—	10,000
Dr G Jones	60,000	—	—	60,000
S P Oxenham	60,000	—	—	60,000
O G R Jones	—	—	—	—
Dr. A W Nelson	—	—	—	—
	<b>160,000</b>	<b>—</b>	<b>—</b>	<b>160,000</b>
	<b>160,000</b>	<b>—</b>	<b>—</b>	<b>160,000</b>
	<b>160,000</b>	<b>1,000</b>	<b>—</b>	<b>11,000</b>
Prof K Board	<b>10,000</b>	<b>1,000</b>	—	<b>11,000</b>
Prof I R Cameron	<b>10,000</b>	<b>1,000</b>	—	<b>11,000</b>
S J Gibson	<b>10,000</b>	<b>1,000</b>	—	<b>11,000</b>
J C J Thynne	<b>10,000</b>	<b>1,000</b>	—	<b>11,000</b>
Dr G Jones	<b>60,000</b>	<b>5,000</b>	—	<b>65,000</b>
S P Oxenham	<b>60,000</b>	<b>5,000</b>	—	<b>65,000</b>
O G R Jones	—	<b>1,000</b>	—	<b>1,000</b>
Dr. A W Nelson	—	<b>1,000</b>	—	<b>1,000</b>
	<b>160,000</b>	<b>16,000</b>	<b>—</b>	<b>176,000</b>
	<b>160,000</b>	<b>16,000</b>	<b>—</b>	<b>176,000</b>

## 20. Directors' emoluments (continued)

The period over which the above options are exercisable is summarised below:

<i>Period of grant</i>	<i>Number of options issued</i>	<i>Price £</i>	<i>Period or exercise</i>
2003	160,000	0.001	2004 – 2013
2006	21,000	3.440	2007 – 2016

## 21. Income tax expense

	<i>2006 £</i>	<i>2005 £</i>
Current tax credit	—	(143,444)
Deferred tax	—	—
	<u>—</u>	<u>(143,444)</u>

The tax on the company's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to the losses of the company as follows:

	<i>2006 £</i>	<i>2005 £</i>
Loss before tax	<b>(1,453,110)</b>	(920,361)
Tax calculated at domestic tax rates applicable (19%)	<b>(276,090)</b>	(174,869)
Income not subject to tax		
Expenses not deductible for tax purposes	<b>16,377</b>	(18,114)
Tax at marginal rates	—	(1,863)
Tax losses for which no deferred income tax asset was recognised	<b>259,713</b>	45,105
Adjustments in respect of prior periods	—	6,297
Total tax credit	<u>—</u>	<u>(143,444)</u>

## 22. Net foreign exchange gains/(losses)

The exchange differences credited/(charged) to the income statement are included as follows:

	<i>2006 £</i>	<i>2005 £</i>
Other gains / (losses) – net	<b>738</b>	(2,240)
	<u><b>738</b></u>	<u>(2,240)</u>

## 23. Loss per Enfis Group Plc share

Loss per share is calculated by dividing the losses attributable to equity holders of the company by the weighted average number of ordinary shares of Enfis Group Plc expected to be in issue immediately prior to the Placing and Admission. The convertible preference shares are assumed to have converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense.

	<i>2006 £</i>	<i>2005 £</i>
Loss attributable to equity holders of the company	<b>(1,453,110)</b>	(776,917)
Interest expense on convertible preference shares	<b>70,743</b>	56,595
Loss used to determine loss per share	<b>(1,382,367)</b>	(720,322)
Weighted average number of Enfis Group Plc ordinary shares	<b>5,071,267</b>	4,260,094
Loss per Enfis Group Plc share	<u><b>(27.3p)</b></u>	<u>(16.9p)</u>

## 24. Cash generated from operations

	2006 £	2005 £
Loss before income tax	(1,453,110)	(920,361)
Adjustments for:		
– Depreciation	43,242	21,590
– Amortisation - intangibles	33,089	18,998
– Amortisation – grants	(47,310)	(23,630)
– Share based payments	75,719	58,214
– Finance income	(10,380)	(9,807)
– Finance costs	92,037	77,326
Changes in working capital		
– Inventories	(26,446)	(24,134)
– Trade and other receivables	(29,219)	(7,189)
– Trade and other payables	97,807	156,711
<b>Cash used in operations</b>	<b>(1,224,571)</b>	<b>(652,282)</b>

## 25. Contingencies

The company received grant funding of £115,000 during the year which could become repayable if certain conditions relating to the grant offer letter are not complied with during the post grant monitoring period. It is the directors' opinion that they have complied fully with all of the grant conditions and that no amounts are repayable.

## 26. Commitments

### (a) *Capital commitments*

There are no capital commitments at either year end.

### (b) *Operating lease commitments*

The company leases a building under a non-cancellable landlords repairing lease from the Welsh Assembly Government.

## 26. Commitments (continued)

The future aggregate minimum lease payments under this non-cancellable operating lease are as follows:

	2006	2005
	£	£
No later than 1 year	7,047	—
Later than 1 year and no later than 5 years	—	61,209
	<u>7,047</u>	<u>61,209</u>

## 27. Related party transactions

Key management personnel have been defined as the executive directors of the company and their compensation is set out in note 20.

On 29 January 2004, the company entered into a sales arrangement with one of its shareholders Wavelight Laser Technologie (Wavelight) to develop new products for Dermatological Applications.

Under the terms of this arrangement Wavelight undertook to fund certain development costs up to a value of 250,000 Euros.

In accordance with the terms of the arrangement with Wavelight, 100,000 Euros (2005: 100,000 Euros) relating to development costs incurred, were invoiced in 2006. This income is included within turnover. Of the invoiced amount only 50,000 Euros has been received. The un-recovered element has been provided for as a bad debt in these financial statements.

During the year, Wavelight Laser Technologie transferred its shareholding in the company to Wavelight Aesthetic GmbH.

## 28. Post balance sheet events

On 16 March 2007 the holder of the 10 per cent. cumulative fixed dividend preference shares converted 300,000 preference shares into 87,209 0.1p ordinary shares and 2,999,128 0.1p deferred ordinary shares.

On 16 March 2007 Enfis issued one ordinary share of 0.1p for cash at a premium of 99.9p and acquired the 2,999,128 0.1p deferred ordinary shares in issue for a consideration of £1, paid out of the proceeds of the issue of one new ordinary share referred to above.

On 16 March 2007 the entire issued share capital of Enfis was acquired by the company.

## 29. Opening reserve reconciliation on transition to IFRS – 1 January 2005

	<i>UK GAAP Closing Balance Sheet £</i>	<i>Effects of Adoption of IFRS £</i>	<i>Effects of Adoption of IFRS £</i>	<i>Effects of Adoption of IFRS £</i>	<i>IFRS GAAP Opening Balance Sheet £</i>
<b>Assets</b>					
<b>Non current assets</b>					
Property, plant and equipment	29,185	—	—	—	29,185
Intangible assets	43,649	—	—	—	43,649
	<u>72,834</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>72,834</u>
<b>Current assets</b>					
Inventories	10,849	—	—	—	10,849
Trade and other receivables	110,797	—	—	—	110,797
Cash and cash equivalents	379,447	—	—	—	379,447
	<u>501,093</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>501,093</u>
<b>Total assets</b>	<u>573,927</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>573,927</u>
<b>Capital and reserves attributable to equity holders of the Company</b>					
Ordinary shares	1,279	—	—	—	1,279
Share premium	649,492	—	(30)	—	649,462
Preference shares	300,000	(222,208)	—	—	77,792
Share option reserve	—	—	—	87,321	87,321
Share warrants	—	—	30	—	30
Retained earnings	(591,549)	(4,171)	—	(87,321)	(683,041)
<b>Total equity</b>	<u>359,222</u>	<u>(226,379)</u>	<u>—</u>	<u>—</u>	<u>132,843</u>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	150,000	226,379	—	—	376,379
<b>Current liabilities</b>					
Trade and other payables	64,705	—	—	—	64,705
Borrowings	—	—	—	—	—
	<u>64,705</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>64,705</u>
<b>Total liabilities</b>	<u>214,705</u>	<u>226,629</u>	<u>—</u>	<u>—</u>	<u>441,084</u>
<b>Total equity and liabilities</b>	<u>573,927</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>573,927</u>

Note 1 – Reclassification of the split of the compound derivative preference share instrument between debt and equity.

Note 2 – Reclassification of the fair value of the share warrant issued from share premium to a share warrant reserve.

Note 3 – Inclusion of the cumulative employee share option charge.

## 29. Reconciliation of results previously reported under UK GAAP to IFRS

Balance Sheet as at 31 December 2005

	<i>UK GAAP 2005 £</i>	<i>Effects of adoption of IFRS £</i>	<i>Effects of adoption of IFRS £</i>	<i>Effects of adoption of IFRS £</i>	<i>Effects of adoption of IFRS £</i>	<i>IFRS 2005 £</i>
<b>Assets</b>						
<b>Non current assets</b>						
Property, plant and equipment	131,526	—	—	—	—	131,526
Intangible assets	95,812	—	—	—	—	95,812
	<u>227,338</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>227,338</u>
<b>Current assets</b>						
Inventories	34,983	—	—	—	—	34,983
Trade and other receivables	200,964	—	—	—	—	200,964
Cash and cash equivalents	832,460	—	—	—	—	832,460
	<u>1,068,407</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,068,407</u>
<b>Total assets</b>	<u>1,295,745</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,295,745</u>
<b>Capital and reserves attributable to equity holders of the Company</b>						
Ordinary shares	1,495	—	—	—	—	1,495
Share premium	1,834,987	—	(30)	—	—	1,834,957
Preference shares	—	—	—	77,792	—	77,792
Share option adjustment	—	145,535	—	—	—	145,535
Share warrants	—	—	30	—	—	30
Retained earnings	(1,287,407)	(145,535)	—	(4,171)	(22,845)	(1,459,958)
<b>Total equity</b>	<u>549,075</u>	<u>—</u>	<u>—</u>	<u>73,621</u>	<u>(22,845)</u>	<u>599,851</u>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Borrowings	476,107	—	—	(73,621)	56,595	459,081
<b>Current liabilities</b>						
Trade and other payables	252,522	—	—	—	(33,750)	218,772
Borrowings	18,041	—	—	—	—	18,041
	<u>270,563</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(33,750)</u>	<u>236,813</u>
<b>Total liabilities</b>	<u>746,670</u>	<u>—</u>	<u>—</u>	<u>(73,621)</u>	<u>22,845</u>	<u>695,894</u>
<b>Total equity and liabilities</b>	<u>1,295,745</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,295,745</u>

Note 1 – Inclusion of the cumulative employee share option charge.

Note 2 – Reclassification of fair value of share warrant issued from share premium to a share warrant reserve.

Note 3 – Opening reserve adjustment for the reclassification of the equity component of preference shares from debt to equity and the associated net opening reserve adjustment for the effective interest charge on the debt component of the preference shares.

Note 4 – Reversal of accrued preference dividend and inclusion of effective interest charge on debt element of the convertible redeemable preference shares.

## 29. Reconciliation of results previously reported under UK GAAP to IFRS (continued)

Profit and loss account as at 31 December 2005

	<i>UK GAAP</i> 2005 £	<i>Effects of</i> <i>adoption</i> <i>of IFRS</i> £	<i>Effects of</i> <i>adoption</i> <i>of IFRS</i> £	<i>Effects of</i> <i>adoption</i> <i>of IFRS</i> £	<i>IFRS</i> 2005 £
Revenue	370,228	—	—	—	370,228
Cost of sales	(290,793)	—	—	—	(290,793)
<b>Gross (loss)/profit</b>	<b>79,435</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>79,435</b>
Administrative expenses	(874,063)	(23,360)	—	(58,214)	(955,907)
Other income	—	23,360	—	—	23,630
<b>Operating loss</b>	<b>(794,628)</b>	<b>—</b>	<b>—</b>	<b>(58,214)</b>	<b>(852,842)</b>
Finance income	9,807	—	—	—	9,807
Finance costs	(54,481)	—	(22,845)	—	(77,326)
<b>Loss before income tax</b>	<b>(839,302)</b>	<b>—</b>	<b>(22,845)</b>	<b>(58,214)</b>	<b>(920,361)</b>
Income tax expense	143,444	—	—	—	143,444
<b>Loss for the year</b>	<b>(695,858)</b>	<b>—</b>	<b>(22,845)</b>	<b>(58,214)</b>	<b>(776,917)</b>

Note 1 – Reclassification of amortised deferred grant income from administrative expenses to other income

Note 2 – Reversal of accrued preference dividend and inclusion of effective interest charge on debt element of the convertible redeemable preference shares.

Note 3 – Inclusion of employee share option charge.

## PART 5

### FINANCIAL INFORMATION ON ENFIS

#### SECTION C – UK GAAP FINANCIAL INFORMATION

#### OF ENFIS FOR THE TWO YEARS ENDED 31 DECEMBER 2004

The information in this section has been extracted without material adjustment from the audited accounts of Enfis Limited for the financial year ended 31 December 2004 which have been prepared under Generally Accepted Accounting Principles in the United Kingdom (UK GAAP) and which were approved by the board of directors of Enfis Limited on 17 May 2005. Bevan & Buckland, Enfis' auditor at the time, reported without qualification for the financial year ended 31 December 2004.

### ENFIS LIMITED

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	<i>Notes</i>	<i>2004</i> £	<i>2003</i> £
<b>Turnover</b>		256,438	16,882
Cost of sales		106,538	22,157
<b>Gross profit/(loss)</b>		149,900	(5,275)
Administrative expenses		452,505	325,634
		(302,605)	(330,909)
Other operating income		11,830	105,868
<b>Operating loss</b>	2	(290,775)	(225,041)
Interest receivable and similar income		1,383	142
		(289,392)	(224,899)
Interest payable and similar charges		2,640	905
<b>Loss on ordinary activities before taxation</b>		(292,032)	(225,804)
Tax on loss on ordinary activities	3	(111,224)	—
<b>Loss for the financial year after taxation</b>		(180,808)	(225,804)
Deficit brought forward		(410,741)	(184,937)
<b>Deficit carried forward</b>		<u>£(591,549)</u>	<u>£(410,741)</u>

The notes form part of these financial statements

**ENFIS LIMITED**

**BALANCE SHEET  
31 DECEMBER 2004**

			2004		2003	
	<i>Notes</i>	£	£	£	£	£
<b>Fixed assets</b>						
Intangible assets	4		43,649		29,010	
Tangible assets	5		29,185		28,689	
			72,834		57,699	
<b>Current assets</b>						
Stocks		10,849		—		
Debtors	6	110,797		43,716		
Cash at bank and in hand		379,447		6,677		
		501,093		50,393		
<b>Creditors</b> Amounts falling due within one year	7	64,705		66,675		
<b>Net current assets/(liabilities)</b>			436,388		(16,282)	
<b>Total assets less current liabilities</b>			509,222		41,417	
<b>Creditors</b> Amounts falling due after more than one year	8		150,000		1,387	
			£359,222		£40,030	
<b>Capital and reserves</b>						
Called up share capital	9		301,279		1,221	
Share premium	10		649,492		449,550	
Profit and loss account			(591,549)		(410,741)	
<b>Shareholders' funds</b>			£359,222		£40,030	

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

**On behalf of the board:**

S Oxenham – *Director*

Approved by the Board on 17 May 2005

The notes form part of these financial statements

# ENFIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 1. Accounting policies

#### *Accounting convention*

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

#### *Turnover*

Turnover represents net invoiced sales of goods, excluding value added tax.

#### *Intangible fixed assets*

Amortisation is provided at 20 per cent. straight line annually in order to write off each asset over its estimated useful life.

#### *Tangible fixed assets*

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	– 20%	on cost
Fixtures and fittings	– 20%	on cost

#### *Stocks*

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

### 2. Operating loss

The operating loss is stated after charging:

	2004	2003
	£	£
Depreciation – owned assets	8,826	7,663
Patents and licences written off	8,831	5,193
Auditors' remuneration	2,000	—
Directors' emoluments and other benefits etc	<u>131,433</u>	<u>119,170</u>

### 3. Taxation

#### *Analysis of the tax credit*

The tax credit on the loss on ordinary activities for the year was as follows:

	2004	2003
	£	£
Current tax:		
Research & Development tax credit	<u>(111,224)</u>	—
Tax on loss on ordinary activities	<u>(111,224)</u>	—

4. **Intangible fixed assets**

	<i>Patents and licences £</i>
<b>Cost:</b>	
At 1st January 2004	36,230
Additions	23,469
At 31st December 2004	<u>59,699</u>
<b>Amortisation:</b>	
At 1st January 2004	7,219
Charge for year	8,831
At 31st December 2004	<u>16,050</u>
<b>Net book value:</b>	
At 31st December 2004	<u>43,649</u>
At 31st December 2003	<u>29,010</u>

5. **Tangible fixed assets**

	<i>Plant and machinery £</i>	<i>Fixtures and fittings £</i>	<i>Totals £</i>
<b>Cost:</b>			
At 1st January 2004	31,291	9,481	40,772
Additions	3,613	5,709	9,322
At 31st December 2004	<u>34,904</u>	<u>15,190</u>	<u>50,094</u>
<b>Depreciation:</b>			
At 1st January 2004	8,386	3,697	12,083
Charge for year	6,644	2,182	8,826
At 31st December 2004	<u>15,030</u>	<u>5,879</u>	<u>20,909</u>
<b>Net book value:</b>			
At 31st December 2004	<u>19,874</u>	<u>9,311</u>	<u>29,185</u>
At 31st December 2003	<u>22,905</u>	<u>5,784</u>	<u>28,689</u>

6. **Debtors: amounts falling due within one year**

	<i>2004 £</i>	<i>2003 £</i>
V.A.T.	15,637	5,877
Trade debtors	11,324	—
Other debtors	441	441
Payments on account	5,125	—
Prepayments	11,508	10,068
Grant receivable	—	27,330
R & D Tax credit debtor	66,762	—
	<u>110,797</u>	<u>43,716</u>

7. **Creditors: amounts falling due within one year**

	2004 £	2003 £
Trade creditors	41,476	41,210
Other creditors	497	497
Social security & other taxes	9,823	6,657
Other loans	2,082	8,334
Accruals	5,190	2,710
Deferred government grants	5,637	7,267
	<u>64,705</u>	<u>66,675</u>

8. **Creditors: amounts falling due after more than one year**

	2004 £	2003 £
Bank loans	150,000	—
Other Loans	—	1,387
	<u>150,000</u>	<u>1,387</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans	55,000	—
	<u>55,000</u>	<u>—</u>

9. **Called up share capital**

Authorised:

<i>Number:</i>	<i>Class:</i>	<i>Nominal value:</i>	2004 £	2003 £
2,000,000	Ordinary	0.1p	2,000	2,000
300,000	Preference	£1	300,000	—
			<u>302,000</u>	<u>2,000</u>

Allotted, issued and fully paid:

<i>Number:</i>	<i>Class:</i>	<i>Nominal value:</i>	2004 £	2003 £
300,000	Preference	£1	300,000	—
			<u>300,000</u>	<u>—</u>

Allotted and issued:

<i>Number:</i>	<i>Class:</i>	<i>Nominal value:</i>	2004 £	2003 £
1,278,831				
(2003 – 1,220,690)	Share capital 1	0.1p	1,279	1,221
			<u>1,279</u>	<u>1,221</u>

The following shares were allotted at par during the year:

300,000 Preference shares of £1 each

The following shares were allotted during the year at a premium as shown below:

58,141 Ordinary shares of 0.1p each at £3.44 per share

10. **Share premium**

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Brought forward	449,550	—
Cash share issue	199,942	449,550
	<u>649,492</u>	<u>449,550</u>

11. **Controlling party**

The directors consider there to be no ultimate controlling party.

**PART 6**  
**UNAUDITED PROFORMA STATEMENT OF NET ASSETS**

The following unaudited pro forma statement of net assets set out below has been prepared under IFRS for illustrative purposes only to show how the acquisition of Enfis by the Company and the Placing might have affected the consolidated net assets of the Group if they had taken place on 2 March 2007. It has been prepared on the basis that the acquisition of Enfis by the Company will be merger accounted as a group reconstruction. **Because of its nature, the pro forma statement of net assets addresses a hypothetical situation and does not, therefore, represent the Company's actual financial position or results.**

	<i>Adjustments</i>				<i>Pro forma total</i> £'000
	<i>The Company</i> <i>(note 1)</i> £'000	<i>Enfis</i> <i>(note 2)</i> £'000	<i>Preference share conversion</i> <i>(note 3)</i> £'000	<i>Placing</i> <i>(note 4)</i> £'000	
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	—	191	—	—	191
Intangible assets	—	121	—	—	121
	—	312	—	—	312
<b>Current assets</b>					
Inventories	—	61	—	—	61
Trade and other receivables	—	318	—	—	318
Corporation tax receivable	—	1	—	—	1
Cash and cash equivalents	—	219	—	3,933	4,152
	—	599	—	3,933	4,532
<b>Total assets</b>	—	911	—	3,933	4,844
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	—	(518)	354	—	(164)
<b>Current liabilities</b>					
Trade and other payables	—	(387)	—	—	(387)
Borrowings	—	(64)	—	—	(64)
<b>Total liabilities</b>	—	(969)	354	—	(615)
<b>Net assets</b>	—	(58)	354	3,933	4,229

**Notes:**

1. The net assets of the Company have been extracted, without material adjustment, from the balance sheet of the Company as at 2 March 2007 included in the Financial Information on the Company set out as Part 4 of this document.
2. The net assets of Enfis at 31 December 2006 have been extracted, without material adjustment, from the balance sheet of Enfis as at 31 December 2006 included in the Financial Information on Enfis as set out in Part 5 of this document.
3. The preference share conversion reflects the conversion of the 300,000 10 per cent. cumulative fixed dividend preference shares of Enfis into 87,209 Ordinary shares of Enfis.
4. The Placing adjustment to cash represents the net proceeds of the Placing, and has been calculated as follows:

	<i>£'000</i>
Gross proceeds of the Placing, based on the issue of 3,214,286 Ordinary Shares at £1.40 per share	4,500
Less: expenses of the Placing	(567)
Net proceeds of the Placing	<u>3,933</u>

5. No account has been taken of any trading or changes in the financial position of the Company since 2 March 2007 or of Enfis since 31 December 2006.

## PART 7

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company was incorporated and registered in England & Wales with registered number 6133765 on 1 March 2007 under the Act and is a public company limited by shares.
- 1.2 The registered office and head office of the Company is:  
Technium II  
Kings Road  
Swansea Waterfront  
Swansea  
SA1 8PJ  
  
Telephone number: +44 (0)1 792 485 660
- 1.3 The Company operates under the Act, and the liability of its members is limited.
- 1.4 The Company's auditors are currently (and have been since its incorporation) PricewaterhouseCoopers LLP ("PwC").
- 1.5 The Company currently has one wholly-owned subsidiary, Enfis. Enfis is a private company limited by shares, incorporated and registered in England & Wales with registered number 4292138 on 24 September 2001 under the Act. On 2 October 2001 it changed its name to Enfis Limited.
- 1.6 Enfis' auditors, from its incorporation to 2004, were Bevan & Buckland Accountants LLP. From 2004 to the present day, Enfis' auditors have been PwC.

#### 2. Share Capital

- 2.1 The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each. The initial subscribers were Shaun Oxenham and Gareth Jones.
- 2.2 On 16 March 2007 the Company by written resolution:
  - 2.2.1 divided its share capital into 500,000 Ordinary Shares of 10 pence each;
  - 2.2.2 increased its authorised share capital to £1,500,000, divided into 15,000,000 ordinary shares of 10 pence each, by the creation of 14,500,000 new Ordinary Shares;
  - 2.2.3 authorised the Directors to allot relevant securities pursuant to Section 80 of the Act up to an aggregate nominal value of £1,500,000 for the period until the annual general meeting of the Company in 2008, unless previously revoked or varied by the Company in general meeting;
  - 2.2.4 empowered the Directors, for the period until the annual general meeting of the Company in 2008, unless previously revoked or varied by the Company in general meeting, to allot equity securities for cash pursuant to the authority referred to in paragraph 2.2.3 above as if Section 89(1) of the Act did not apply to such allotment, provided that the power was limited to:
    - (i) the allotment of up to 3,214,286 Placing Shares pursuant to the Placing;
    - (ii) the exercise of share options granted by the Company; or
    - (iii) (otherwise than pursuant to (i) and (ii) above) the allotment of equity securities for cash up to an aggregate nominal amount of £44,680.30, being equivalent to 5 per cent. of the Company's issued ordinary share capital as enlarged by the Placing Shares.
- 2.3 On 16 March 2007, the Company entered into a share exchange agreement with the then-shareholders of Enfis, as described at paragraph 8.1 below. Pursuant to this agreement 5,721,754 Ordinary Shares were issued to the Shareholders, as consideration for the transfer to the Company of the entire issued share capital of Enfis, at a rate of three Ordinary Shares, for each share in Enfis transferred.

- 2.4 The authorised and issued share capital of the Company at the date of this document and immediately following Admission is expected to be as follows:

	<i>Par value (£)</i>	<i>Authorised Number</i>	<i>Issued Number</i>
At the date of this document	0.10	15,000,000	5,721,774
Immediately following Admission	0.10	15,000,000	8,936,060

- 2.5 At the date of this document, the Company has an EMI Scheme and an Executive Share Option Scheme, details of which are summarised in paragraph 7 of Part 7. The Company has granted, or proposes to grant, options to subscribe for Ordinary Shares, details of which are summarised at paragraph 7 of Part 7.
- 2.6 Save for the options referred to in paragraph 2.5 above, no share or loan capital of the Group is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.7 The Company has not made any repurchase of its securities since its incorporation.

### **3. Summary of the Constitution of the Company**

#### **3.1 Memorandum of Association**

The Memorandum of Association of the Company provides that the Company's principal object is to carry on business as a general commercial company and to carry on the business of a holding company. The objects of the Company are set out in full in clause 4 of its Memorandum of Association.

#### **3.2 Articles of Association**

##### **3.2.1 Rights attaching to Ordinary Shares**

The following is a description of the rights attaching to the Ordinary Shares based on the Company's Articles of Association (the "**Articles**"), which have been adopted conditional upon Admission, and English law. This description does not purport to be complete and is qualified in its entirety by the full terms of the Articles.

##### **(1) Voting**

Subject to disenfranchisement in the event of:

- (A) non-payment of calls or other monies due and payable in respect of Ordinary Shares; or
- (B) non-compliance with a statutory notice requiring disclosure as to beneficial ownership of Ordinary Shares;

and, without prejudice to any special rights previously conferred and subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, on a show of hands every shareholder who is present in person at a general meeting of the Company shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every Ordinary Share held.

##### **(2) Dividends**

Subject to the Act, the Company at a general meeting may declare dividends to be paid to shareholders according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Except insofar as the rights attaching to, or the terms of issue of, any Ordinary Share otherwise provide, all dividends shall be declared according to the amounts paid-up or credited as paid-up on the shares and apportioned and paid *pro rata* according to the amounts paid-up or credited as paid-up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company. Any dividend unclaimed

after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company. There is no fixed date on which an entitlement to a dividend arises in respect of Ordinary Shares.

(3) Distribution of assets on liquidation

On a winding-up, the liquidator may, with the sanction of an extraordinary resolution of the Company and subject to and in accordance with the Act, divide among the shareholders in specie or kind the whole or any part of the assets of the Company, subject to the rights of any shares which may be issued with special rights or privileges.

(4) Pre-emption rights

The Articles do not contain any provisions which set out a procedure for the exercise of pre-emption rights for members in addition to that provided for by the Act.

(5) Transferability of Ordinary Shares

All transfers of Ordinary Shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Board. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. All transfers of Ordinary Shares which are in uncertificated form may be effected by means of a relevant system (as defined in the Articles).

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefore refuse to register any transfer of shares (not being fully-paid shares) provided that any such refusal does not prevent dealings in partly-paid shares which are admitted to AIM from taking place on an open and proper basis. In addition, the Directors may refuse to register a transfer of shares (whether fully-paid or not) in favour of more than four persons jointly.

The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless the instrument of transfer is duly stamped, is in respect of only one class of share and is lodged at the Transfer Office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

### 3.2.2 *Variation of rights*

Subject to the Act, the special rights attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound-up) be altered or abrogated with the written consent of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the issued shares of that class at which a quorum of two or more persons holding or representing by proxy not less than one-third of the issued shares of that class (or in the case of an adjourned meeting such quorum as is specified by the Articles) is present. The special rights conferred upon the holders of any shares or class of share shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith or the purchase by the Company of any of its own shares.

### 3.2.3 *Changes in capital*

Subject to the provisions of the Act and to any special rights conferred on the holders of any shares or class of shares, the Company may issue redeemable shares. Subject to the provisions of the Act and to any special rights previously conferred on the holders of any existing shares, any share may be issued with such special rights or such restrictions as the Company may determine by ordinary resolution. The Company may by ordinary resolution increase its share capital, consolidate and divide its share capital into shares of a larger amount, sub-divide its share capital into shares of a smaller amount (subject to the provisions of the Act) and cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

Subject to the provisions of the Act, the Company may reduce share capital, any capital redemption reserve and any share premium account in any manner. The Company may also, subject to the requirements of the Act, purchase its own shares.

#### 3.2.4 *Untraced shareholders*

Subject to the Act, the Company may sell any shares of a member or person entitled thereto who is untraceable, if during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to such member or person in respect of his shares have remained uncashed or mandated dividend payments have failed and the Company has received no indication of the existence of such member or person. The net proceeds of sale shall belong to the Company but the member or person who had been entitled to the shares shall become a creditor of the Company in respect of those proceeds.

If on two consecutive occasions dividend payments have been sent through the post to any holder of shares to his registered or other specified address but returned undelivered or left uncashed, the Company may cease to send such dividend payments until the person entitled thereto otherwise requires.

#### 3.2.5 *Procedure for General Meetings*

Subject to the Act, the provisions of the Articles relating to general meetings apply as nearly as possible *mutatis mutandis* to every such meeting. The necessary quorum is three persons present in person or by proxy and entitled to attend and vote on the business to be transacted. The Chairman or deputy chairman shall preside as Chairman of the meeting and, if neither is present, the Directors present shall choose one of their number to be Chairman of the meeting. Such Chairman at a meeting where a quorum is present may with the consent of the meeting adjourn the meeting.

#### 3.2.6 *Votes of members*

Subject to the Act and to any special rights or restrictions as to voting attached to any class of shares at any general meeting, on a show of hands, every member present in person has one vote and in the case of a poll, every member present in person or by proxy shall have one vote for every share of which he is a holder.

No member shall, unless the Directors determine otherwise, be entitled to vote in respect of any share held by him to vote either personally or by proxy at a general meeting if any call or other sum presently payable in respect of that share remains unpaid or if he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Companies Act 2006 and is in default for the prescribed period.

A resolution in writing duly exercised by or on behalf of all members of the Company or any class of them entitled to receive notice of and to attend and vote at a general meeting shall be valid and effectual as if it has been passed at the general meeting duly covered.

#### 3.2.7 *Non-UK shareholders*

There are no limitations in the Company's Memorandum or Articles of Association on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company (whether electronically or otherwise), including notices of general meetings, unless he has given an address in the UK to the Company to which such notices may be sent.

#### 3.2.8 *Sanctions on shareholders*

A holder of Ordinary Shares loses his rights to vote in respect of Ordinary Shares if and for so long as he or any other person appearing to be interested in those shares fails to comply with a request by the Company under the Act requiring him to give particulars of any interest in those Ordinary Shares within 14 days. In the case of shareholdings representing 0.25 per cent. or more, in nominal amount, of the share capital of the Company then in issue, or any class thereof, the sanctions which may be applied by the Company include not

only disenfranchisement but also the withholding of the right to receive payment of dividends and other monies payable on, and restrictions on transfers of, the Ordinary Shares concerned.

### 3.2.9 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and, subject to applicable law, to issue debenture and other loan stock and debentures and other securities provided that the Directors shall restrict the borrowings of the Company, and exercise all powers of control exercisable by the Company in relation to its subsidiaries, so as to secure (in relation to the subsidiaries (from time to time (if any)) as far as the Directors are able) that the aggregate amount for the time being of all borrowings of the Group (excluding any money owed between members of the Group) shall not at any time exceed an amount equal to three times the adjusted capital and reserves of the Company.

### 3.2.10 *Directors' fees*

The amount of any fees payable to the Directors shall be determined by the Directors provided that they shall not in any year exceed an aggregate amount of £300,000 or such other sum as may from time to time be approved by ordinary resolution. Any such fees shall be divisible among the Directors as they may agree, or failing agreement, equally. The Directors are also entitled to be repaid all reasonable expenses incurred by them respectively in the performance of their duties. Any director holding an executive office or otherwise performing services which in the opinion of the Directors are outside the scope of his ordinary duties as a director may be paid such remuneration as the Directors may determine.

The Directors may establish and maintain the establishment of any non contributory or contributory pension or superannuation funds for the benefit of, and give donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of, or directors or officers of and holding any salaried employment or office in, the Company or any other company which is its holding company or in which the Company or such holding company has any interest or which is allied to or associated with the Company or of any company which is a subsidiary undertaking of the Company or of any such other company and the families and dependents of any such persons; and the Directors shall have power, subject to statute, to purchase and maintain insurance against liability for any persons who are or were at any time directors, officers, employees or auditors of the Company or its associated companies and for trustees of any pension fund in which employees of the Company or its associated companies are interested.

The Directors shall also be paid all expenses properly incurred by them in attending meetings of the Company or of the Board or otherwise in connection with the business of the Company.

### 3.2.11 *Directors' interests*

A Director who is in any way, whether directly or indirectly, interested in any contract or proposed contract with the Company shall declare the nature of his interest in accordance with the Act.

A Director shall not vote, and shall not be counted in a quorum, in respect of any contract, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of shares or debentures or other securities of or otherwise through the Company), except that this prohibition shall not apply to:

- (1) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;

- (2) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (3) any contract or arrangement by a Director to participate in the underwriting or sub-underwriting of any offer of shares, debentures or other securities of the Company or any of its subsidiaries for subscription, purchase or exchange;
- (4) any contract or arrangement concerning any other company in which the Director and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in Part 22 of the Companies Act 2006) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (5) any arrangement for the benefit of employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (6) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of, *inter alia*, any Directors of the Company.

#### 3.2.12 *Directors' interests in transactions*

Subject to the provisions of the Act, and provided that he had disclosed to the Board the nature and extent of any material interest of his, a Director notwithstanding his office may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested, may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested and shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. Any Director may act by himself or by his firm in any professional capacity (other than auditor) and he or his firm shall be entitled to remuneration as if he were not a Director.

#### 3.2.13 *Qualification shares*

The Directors are not required to hold qualification shares.

#### 3.2.14 *Retirement*

At each annual general meeting of the Company one-third (or the nearest number to one-third) of the Directors shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, any Director who would not otherwise be required to retire shall retire by rotation at every third annual general meeting after his last appointment or re-appointment. A retiring Director shall be eligible for re-election. The Company may from time to time by ordinary resolution appoint any person to be a Director. The Directors may also from time to time appoint one or more Directors but any Director so appointed shall retire at or at the end of the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

#### 3.2.15 *Executive office*

The Board may from time to time appoint one or more Directors to be the holder of any executive office for such period and on such terms as it decides.

#### 4. Directors

- 4.1 The Directors and their respective functions are set out below and further details can be found in the section headed “Board and Management” in paragraph 9 of Part 1 of this document.

<i>Name</i>	<i>Function</i>	<i>Appointment</i>
Simon Gibson	Chairman and Non-Executive Director	5 March 2007
Shaun Oxenham	Chief Executive Officer	1 March 2007
Giles Davies	Chief Financial Officer	1 March 2007
Gareth Jones	Chief Technical Officer	5 March 2007
Drew Nelson	Non-Executive Director	5 March 2007
Ron Jones	Non-Executive Director	5 March 2007
John Thynne	Non-Executive Director	5 March 2007

- 4.2 Details of any directorship that is or was in the last five years held by each of the Directors, and any partnership in which each of the Directors is or was in the last five years a partner (excluding the Company and wholly-owned subsidiaries of any company listed below) are set out below:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Shaun Oxenham	Oxegen Limited Enfis Limited	Palm Training Services Limited Palm Integration Limited E-Net Technology Limited (formerly Palm Technology Holdings Limited) E-Net Systems Limited (formerly Relay Business Systems Limited) S&B (Residents) Management Limited
Giles Davies	Tantalus Consulting Limited Enfis Limited	
Gareth Jones	Enfis Limited	
Drew Nelson	IQE Plc EPI Holdings Limited IQE (Europe) Limited Cardiff Partnership Fund Limited Wafer Technology International Limited Wafer Technology Limited IQE Silicon Compounds Limited Enfis Limited Welsh Development Agency	
Simon Gibson	Ubiquity Software Corporation Plc Wesley Clover Wales Limited Enfis Limited IQE Plc Newport Networks Limited Celtic House Investment Partners Limited INUK Networks Ltd Fishstone Limited	Artaurus Software Limited Lanergy Limited Cynhyrchiadau Boomerang Cyfyngedig Edict Training Limited

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
John Thynne	Wesley Clover Wales Limited Enfis Limited Celtic House Investment Partners Limited Inuk Networks Ltd	The Celtic Manor Golf Course Limited Nolton Consultancy Services Limited Lanergy Trustee Limited UWS Ventures Limited Lanergy Limited Newport Networks Limited 5 Eldon Grove Hampstead Limited
Ron Jones	Tinopolis Interactive Limited Agenda America Limited Agenda Production Limited P.O.P.1 Limited UGH Limited Salem Films Limited Agenda Workshop Limited M4 Television Limited Agenda Abertawe CYF Agenda Films Limited Agenda Heno CYF Agenda Television Limited Tinopolis Facilities Ltd Llanelli Rugby Football Club Limited Tinopolis Spark Learning Consortium Limited Dafydd Evans Productions Limited UWS Ventures Limited Dave Edwards Entertainment Media Limited Fiction Factory Limited Tinopolis Cymru Limited Enfis Limited Tinopolis Plc The Television Corporation Limited Caitlin Film Limited	Agenda Online Limited Agenda Productions Limited Teledu Agenda CYF Agenda Entertainment Limited Breaking News Limited MB59 Limited Learn for Tomorrow Limited Wine Time.com Ltd Learning Agenda Limited MC99 Limited Sportsweb Limited

4.3 At the date of this document none of the Directors named in this document:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has entered into an individual voluntary arrangement, nor has or has had any asset which has been the subject of a receivership;
- (c) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (d) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or
- (f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has he ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

- 4.4 Simon Gibson and John Thynne were directors of LANergy Limited until 21 January 2003. LANergy Limited was placed into liquidation on 10 April 2003, with an estimated deficit to unsecured creditors of £650,000.
- 4.5 There are no outstanding loans granted by the Company to any of the Directors nor has any guarantee been provided by the Company for their benefit.

## 5. Directors' and Other Interests

- 5.1 The interests in the Ordinary Shares of the Company, which are beneficial unless otherwise stated, of the Directors and their immediate families (and, so far as is known by the Directors or could with reasonable diligence be ascertained by them, persons connected with them within the meaning of section 346 of the Act) which if the connected person were a director would otherwise be disclosed pursuant to this paragraph) as at the date of this document and on Admission are as follows:

<i>Name</i>	<i>Number of Ordinary Shares prior to the Placing</i>	<i>Percentage of the issued ordinary share capital prior to the Placing</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>Percentage of issued ordinary Share capital following the Placing</i>
Shaun Oxenham	40,368	0.71%	40,368	0.45%
Gareth Jones	37,794	0.66%	37,794	0.42%
Drew Nelson	809,274	14.14%	809,274	9.06%
John Thynne	5,268	0.09%	5,268	0.06%
All Directors and related parties	<u>892,704</u>	<u>15.60%</u>	<u>892,704</u>	<u>9.99%</u>

- 5.2 In addition to the interests of the Directors disclosed in paragraph 5.1 above, the Company is aware of the following shareholders whose direct or indirect interests (within the meaning of Part 6 of FSMA and DTR5) as at the date of this document or on Admission, amount to three per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>Number of Ordinary Shares prior to the Placing</i>	<i>Percentage of the issued ordinary share capital prior to the Placing</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>Percentage of issued ordinary Share capital following the Placing</i>
Wesley Clover Wales Limited	1,750,854	30.60%	1,750,854	19.59%
Ken Board	952,734	16.65%	952,734	10.66%
University of Wales, Swansea	599,340	10.47%	599,340	6.71%
Wavelight Aesthetics GmbH	593,253	10.37%	593,253	6.64%
Finance Wales Investments Limited	539,121	9.42%	539,121	6.03%
Robert Marc Clement	180,000	3.15%	180,000	2.01%

- 5.3 The Directors have been granted options under the Executive Scheme, as set out below:

<i>Name</i>	<i>Column 1 Options at the Exercise Price of 0.1 pence</i>	<i>Column 2 Options at the Exercise Price of £1.15</i>	<i>Column 3 Options at the Exercise Price of 72 pence</i>	<i>Total Options</i>
Simon Gibson	30,000	3,000	9,000	42,000
Shaun Oxenham	180,000	15,000	54,000	249,000
Drew Nelson	0	3,000	9,000	12,000
Giles Davies	0	15,000	60,000	75,000
Gareth Jones	180,000	15,000	54,000	249,000
John Thynne	30,000	3,000	9,000	42,000
Ron Jones	0	3,000	9,000	12,000

Those Options granted under Column 1 are exercisable from Admission.

Those Options granted under Column 2 are exercisable as set out in paragraph 7.5 below.

Those Options granted under Column 3 are exercisable as set out in paragraph 7.6 below.

Details of the Executive Scheme and the EMI Scheme are summarised at paragraph 7 of this Part 7.

## 6. Directors' Remuneration and Service Agreements

### *Directors' Service Agreements*

The executive directors entered into substantially similar service agreements with the Company on 16 March 2007. Each of the service agreements is conditional on Admission and is terminable by either party on six months' notice. All directors are full time employees of the Company. The salaries are as follows:

Shaun Oxenham:	£90,000
Gareth Jones:	£80,000
Giles Davies:	£70,000

Salaries will be reviewed by the Remuneration Committee of the Board from time to time. The Company has a discretion in determining whether to award the directors an annual bonus in addition to a performance related bonus scheme in which all directors are entitled to participate. The maximum performance related bonuses are capped, but that cap is subject to review. The current caps are:

Shaun Oxenham:	£25,000
Gareth Jones:	£25,000
Giles Davies:	£20,000

The service agreements contain certain restrictions on the directors following the termination of their employment.

### *Non-Executive Directors letters of appointment*

The non-executive directors are subject to the terms of substantially similar letters of appointment, entered into on 16 March 2007. Each of the non executive directors' appointments is conditional on Admission and is terminable by either party upon three months' notice. Drew Nelson, Simon Gibson, John Thynne and Ron Jones are entitled to a director's fee of £10,000 per annum, subject to review from time to time. The non-executive directors are required to attend all Board Meetings (which are expected to take place at least four times per annum) and general meetings and, if requested, meetings of the audit and/or remuneration committees. It is expected that the time commitment required of each non-executive director will be twenty full days per annum.

Save as set out in this paragraph 6, there are no service agreements in existence between any of the Directors and any member of the Group.

None of the Directors has a contract of employment or letter of appointment with the Company with a notice or contract period of one year or more or with provisions for predetermining compensation on termination of an amount which equals or exceeds one year's salary and benefits in kind.

The estimated aggregate remuneration paid and benefits in kind granted to the Directors for the first financial period of the Company for the year ended 31 December 2007 under the arrangements in force at the date of this document is £350,000.

## 7. Option Schemes

The Company adopted an Enterprise Management Incentive Share Option Scheme (the "EMI Scheme") and an Executive Share Option Scheme (the "Executive Scheme") (which comprises an element which will be approved by HM Revenue and Customs and an element which will not be approved on 16 March 2007.

As at the date of this document 1,096,350 options have been granted under the Share Option Schemes. The maximum number of Ordinary Shares over which options may be granted under the Share Option Schemes, excluding the 1,096,350 options granted prior to Admission, shall represent approximately 12 per cent. of the Company's issued Ordinary Share capital on the date of grant. Options which lapse or are waived or cancelled will not count for the purposes of this limit.

The remuneration committee has discretion over the granting of options under the Share Option Schemes. The current intention of the remuneration committee is to grant options amounting to circa six per cent. of the Company's issued Ordinary Share capital, at the Placing Price, to the executive Directors (comprising two per cent. to each of Shaun Oxenham, Giles Davies and Gareth Jones (subject to vesting conditions)), and retain options up to an additional circa six per cent. of the Company's issued Ordinary Shares capital for future grants to other members of staff.

The following is a summary of the rules of the EMI Scheme and the Executive Scheme. No options granted under either Scheme shall be exercisable unless Admission shall have taken place by 30 April 2007.

#### 7.1 *EMI Scheme*

##### (i) *Eligibility*

Any person who is either an employee or a director of the Company or of any subsidiary which the Board determines from time to time may participate in the EMI Scheme and be bound by its terms.

##### (ii) *Grant of options*

The Board may grant options to acquire ordinary shares under the EMI Scheme to any eligible employee. Options may be granted subject to a performance condition. The Board determines the price at which the option is exercised. Save for options to be granted at or before Admission, while the Ordinary Shares of the Company are admitted to trading on AIM, options may be granted during the six weeks following the date on which the Company announces its interim or final results for the accounting period or at other times which the Board considers to be exceptional.

##### (iii) *EMI Scheme Limits*

The aggregate market value of subsisting options held by an eligible employee under the EMI Scheme shall not exceed £100,000 (when taken together with any options granted under the CSOP scheme) or such other statutory limit which may apply from time to time.

In respect of options granted after Admission, no person may, unless the Board determines otherwise in exceptional circumstances (in which case the applicable limit will be as determined by the Board), in a calendar year be granted options over Ordinary Shares worth more than 200 per cent. of his or her annual salary.

##### (iv) *Exercise of options*

Options are normally exercisable, subject to the satisfaction of any performance conditions, provided the optionholder remains an employee or director of his employing company or business. Options which have not been exercised will normally lapse on the tenth anniversary of grant. Options may, however, be exercised in the event of a change of control of the Company and in the event of a winding-up of the Company or the court sanction of a proposed compromise or arrangement in relation to a reconstruction of the Company. Options are not transferable and may only be exercised by the persons to whom they are granted (save when an optionholder dies). On termination of the employment of an option holder by reason of death, an option will remain exercisable for one year after death. On termination of employment by reason of redundancy, ill health or disability, an option will remain exercisable for six months after termination. Exercise of options following termination of employment in other circumstances will be at the discretion of the Board.

##### (v) *Issue of shares*

Ordinary shares issued on the exercise of options will rank equally with shares in issue at that time, except in respect of rights arising by reference to a prior record date. Ordinary shares transferred pursuant to an exercise of options will be transferred without the benefit of any rights attaching thereto by reference to a prior record date.

##### (vi) *Substitution of options*

In the event of a change of control of the Company in certain circumstances, the optionholder may, by agreement with the acquiring company, release his option in consideration of the grant to him of an equivalent right over shares in the acquiring company.

(vii) *Variation in share capital*

Options may be adjusted following variation of the share capital of the Company such as any capitalisation issue, sub-division, reduction or consolidation of share capital provided no adjustment shall cause the exercise price to be less than the nominal value of a Share.

(viii) *Amendments*

Subject to shareholder approval to alter the EMI Scheme to the benefit of the participants (except for minor amendments to benefit the administration of the scheme, to reflect a change in legislation or to maintain favourable tax, exchange control or regulatory treatment for participants), the Board may at any time amend the EMI Scheme. Except with the written consent of the relevant optionholders no amendment may be made to the EMI Scheme to the extent that it would abrogate or adversely affect the subsisting rights of such optionholders as regards an option granted prior to the amendment being made.

(ix) *Options granted*

As at the date of this document, in addition to the options granted to the Directors, as set out in paragraph 5.3 above, the following options have been granted to employees of the Group.

*Directors* as set out in paragraph 5.3 above.

*Employees*

<i>Name</i>	<i>Column 1 Options at the Exercise Price of 0.1 pence</i>	<i>Column 2 Options at the Exercise Price of £1.15</i>	<i>Column 3 Options at the Exercise Price of 72 pence</i>	<i>Total Options</i>
Gareth Peter Evans	135,000	3,000	9,000	147,000
Siang Pheng Ong	30,000	3,000	9,000	42,000
Alun Board	6,000	10,500	4,800	21,300
Ian Oxtoby	0	10,500	7,800	18,300
Yoong Jin Hu	0	3,000	5,250	8,250
Justin Davies	0	3,000	750	3,750
Paul Flower	0	4,500	0	4,500
Jianmin Xu	0	1,500	9,000	10,500
David Thomas	0	1,500	1,500	3,000
Emma Bundy	0	6,000	9,000	15,000
Kevin Rogers	0	1,500	6,750	8,250
Helena Bell	0	0	3,750	3,750
Angela Sayce	0	0	750	750
Gareth Price	0	0	750	750
Martyn Davies	0	0	4,500	4,500
James Franks	0	0	6,750	6,750

## 7.2 *Executive Scheme*

(i) *Approval*

The Executive Scheme comprises a part which will be approved by the HM Revenue & Customs and a part which will not. The two parts are identical in all material respects unless indicated to the contrary below or as is consequential on their differing taxation status. Furthermore, the Executive Scheme is in all material respects the same as the EMI Scheme, save as set out below, which reflects, *inter alia*, their differing tax regulation.

(ii) *Eligibility*

All employees of the Group regardless of the number of hours of work, directors who are obliged to devote at least 25 hours a week to their duties are eligible to participate in the Executive Scheme. In addition, unapproved options may be granted to any director regardless of his or her hours of work.

(iii) *Executive Scheme Limits*

The aggregate market value (at the date of grant) of Ordinary Shares which may be held under option by an individual at any one time under the HM Revenue and Customs approved part of the Executive Scheme or any other approved executive share option scheme established by the Company shall not exceed £30,000 or such other statutory limit which may apply from time to time.

(iv) *Exercise of Options*

An option will normally be exercisable between three and ten years from grant. Options granted under the unapproved scheme may be exercised, up to ten years from grant, within such period as shall be determined by the Board.

(v) *Amendment*

Options may only be granted under the approved part of the Executive Scheme once HM Revenue and Customs approval has been obtained. Prior approval is required to any change to a key feature of the approved part of the Executive Scheme.

### 7.3 **Other Grants of Options**

In addition to the EMI Scheme referred to above, on 16 March 2007 the Company granted the following options:

7.3.1 to Finance Wales Investments Limited over a total of 12,000 Ordinary Shares exercisable in respect of:

7.3.1.1 3,000 Ordinary Shares as set out in paragraph 7.5 below

7.3.1.2 9,000 Ordinary Shares as set out in paragraph 7.6 below

7.3.2 to Professor Kenneth Board over a total of 42,000 Ordinary Shares exercisable in respect of:

7.3.2.1 30,000 Ordinary Shares as set out in paragraph 7.4 below

7.3.2.2 3,000 Ordinary Shares as set out in paragraph 7.5 below

7.3.2.3 9,000 Ordinary Shares as set out in paragraph 7.6 below

7.3.3 to Professor Ian Rennell Cameron over a total of 42,000 Ordinary Shares exercisable in respect of:

7.3.3.1 30,000 Ordinary Shares as set out in paragraph 7.4 below

7.3.3.2 3,000 Ordinary Shares as set out in paragraph 7.5 below

7.3.3.3 9,000 Ordinary Shares as set out in paragraph 7.6 below

7.3.4 to Kostas Bouris over a total of 15,000 Ordinary Shares exercisable as set out in paragraph 7.4 below; and

7.3.5 to Wayne Gardner over a total of 6,000 Ordinary Shares exercisable as set out in paragraph 7.5 below.

7.4 in respect of the Options over Ordinary Shares to which this paragraph relates, the Option shall be exercisable from Admission at the Subscription price of 0.1 pence.

7.5 in respect of the Options over Ordinary Shares to which this paragraph relates, the Option shall be exercisable at the Subscription price of £1.15 :-

7.5.1 as to 25% of the relevant Ordinary Shares with effect from Admission

7.5.2 as to a further 25 % with effect from 02.01.2008; and

7.5.3 as to a further 25 % with effect from 02.01.2009; and

7.5.4 as to the final 25 % with effect from 02.01.2010;

7.6 in respect of the Options over Ordinary Shares to which this paragraph relates, the Option shall be exercisable at the Subscription price of 72 pence:-

7.6.1 as to 25% of the relevant Ordinary Shares with effect from 11.01.2008; and

7.6.2 as to a further 25 % with effect from 11.01.2009; and

7.6.3 as to a further 25 % with effect from 11.01.2010; and

7.6.4 as to the final 25% with effect from 11.01.2011;

## **8. Employees**

8.1 As at the date of this document Enfis has 26 employees, of whom 23 are located at Enfis' registered office, Technium, in Swansea. The remaining three employees are based at their home addresses.

8.2 The 26 employees are comprised of the following functions: Chief Officers (3); Vice Presidents (2); Managers (4); Engineers (10); Technicians (2); Assistants (2) and Other, which includes a Head of Department and two other unassigned functions (3).

8.3 During 2004, 2005 and 2006 Enfis had an average of 10, 16 and 24 employees respectively.

## **9. Material Contracts – the Company**

The following are the only contracts (being contracts otherwise than in the ordinary course of business) which have been entered into by the Company or its subsidiaries since the date of their respective incorporations and which are or may be material, or have been entered into by the Company or its subsidiaries at any time and contain any provision under which the Company and its subsidiaries has any obligation or entitlement which is material to the Company and its subsidiaries at the date of this document.

### **9.1 *Share for Share Exchange Agreement***

On 16 March 2007, the Company, Enfis and the then-shareholders of Enfis (the “**Vendors**”) entered into a share exchange agreement. Pursuant to this agreement, the Vendors of Enfis transferred their shares to the Company in exchange for three Ordinary Shares for each share in Enfis so transferred. The Vendors waived their rights of pre-emption under the articles of association of Enfis. In addition, the Vendors who were parties to shareholder agreements relating to Enfis agreed that on Admission such agreements would cease and determine. The Vendors gave certain warranties as to their ownership of the shares in Enfis.

### **9.2 *Placing Agreement***

The Company and its Directors have entered into a placing agreement, dated 16 March 2007, with Noble and Wavelight pursuant to which Noble agreed to act as agent of the Company with respect to the Placing and to use its reasonable endeavours to procure placees for the Placing Shares. Pursuant to this agreement the Company will pay to Noble a corporate finance fee of £95,000 and a fee of 4.25 per cent. of the aggregate value of the Placing Shares in respect of which they secure placees at the Placing Price.

The Placing Agreement contains certain warranties, including as to the accuracy of information in this document, given by the Company and the Directors in favour of Noble. Subject to certain limited exceptions, the Company also agrees to indemnify Noble in respect of losses suffered in connection with the Placing and any breach of the agreement. There are no financial limits on the liability of the Company under the agreement, but the aggregate liability of the Directors under the warranties and the indemnity is limited. Noble may terminate the agreement in specified circumstances prior to Admission, including in the event of a breach of the Warranties contained therein.

Additionally each of the Directors have agreed, pursuant to Rule 7 of the AIM Rules, that they will not dispose of any interest in any Ordinary Shares including any shares issued on the exercise of an option for one year from the date of Admission, other than as consented to in writing by both Noble and the Company or in certain limited circumstances. The agreement also requires that, for a further year following the lock-in period, any disposal of any Ordinary Shares (with limited exceptions) must be made through Noble as broker, in order to ensure an orderly market in the Company's securities.

### 9.3 *Nominated Adviser & Broker Agreement*

On 16 March 2007 the Company entered into a nominated adviser and broker agreement with Noble, pursuant to which Noble was appointed as the Company's nominated adviser and broker for the purposes of the AIM Rules, and generally authorised to take actions on the Company's behalf in such role. The appointment is for a minimum 12 months, period and thereafter terminable on 30 days' written notice from either party. The Company will pay Noble an annual retainer of £35,000 (plus VAT) together with Noble's reasonable expenses (plus VAT).

## 10. **Material Contracts – Enfis Limited**

The following are the only contracts (being contracts otherwise than in the ordinary course of business) which have been entered into by Enfis within the two years immediately preceding the date of this document (other than the Share for Share Exchange Agreement described at paragraph 9.1 above) and which are or may be material, or have been entered into by Enfis at any time and contains any provision under which Enfis has any obligation or entitlement which is material at the date of this document.

### 10.1 *DTI Grant*

Enfis has entered into an offer letter dated 19 December 2006 with the Department of Trade and Industry (the "DTI"), whereby Enfis will act as the lead participant in a consortium. The consortium will conduct a research and development project with the overall aim of establishing an internationally-competitive LED manufacturing facility through the development of new manufacturing techniques (the "Project"). The DTI will make a total of £1,854,437 available to the consortium, to defray the costs of the Project, by reimbursing participants for part of their costs. The amount of reimbursement which each participant can claim is limited – the limit applicable to Enfis is £193,094.

As lead participant, Enfis will be responsible for submitting proof of the costs incurred by all participants to the DTI, and all grant monies paid by the DTI will be paid to Enfis for payment on to the relevant participant. The relationship between Enfis and the other participants will be governed by a collaboration agreement, the terms of which are, at the date of this document, being discussed among the consortium members. The entry of all consortium members into the collaboration agreement is a condition of the grant becoming payable. The DTI has the right to terminate the arrangement and reclaim any of the grant paid down in the event that a participant undergoes a change of control which, in the opinion of the Secretary of State, is likely to affect the Project adversely. Confirmation that the share exchange agreement discussed at paragraph 9.1 of this Part does not constitute such a change of control has been obtained.

### 10.2 *Research and Development Agreement*

On 21 August 2006, Enfis entered into an agreement with the Welsh Assembly Government ("WAG") under which it accepted the WAG's offer of a maximum research grant of £145,396 in respect of a project for the design and development of medium wave LED array light engines, such project commencing on 1 September 2006 and to be completed by June 2008. Enfis must make claims for payment on a quarterly basis, with the final claim to be submitted before 1 September 2008. In making claims for payment, Enfis must provide supporting documentation including progress reports and statements of actual and forecasted expenditure. If there is a change of control in Enfis within the period commencing 21 August 2006 and ending three years

after the date on which the final grant payment is made, or if Enfis receives funding from another public body, the agreement may be terminated by the WAG and Enfis may be required to repay all or part of the grant.

A waiver of this termination right has been obtained in respect of the share exchange agreement discussed at paragraph 9.1 of this Part.

### 10.3 *Regional Selective Assistance Grant*

On 25 November 2004, Enfis entered into an agreement with the WAG under which it accepted the WAG's offer of a maximum capital grant of £150,000 in respect of a project for the design and assembly of HB-LED systems for medical and industrial applications, such project commencing on 3 November 2004. The first installment of the grant was paid to Enfis following the satisfaction of certain initial conditions, and the second installment (£50,000) will be payable on completion of the project, to be submitted before 31 December 2007. The second instalment is conditional upon certain jobs associated with the project being maintained, and Enfis making a further capital investment of £120,000 in plant and machinery associated with the project.

If there is a change of control in Enfis, the agreement may be terminated by the WAG and Enfis may be required to repay all or part of the grant. A waiver of this termination right has been obtained in respect of the share exchange agreement discussed at paragraph 9.1 of this Part.

### 10.4 *Lease of Premises*

Enfis is the Tenant under a lease dated 27 February 2007 and entered into between the National Assembly for Wales (1) and Enfis (2) of Units 3B and 3C Technium 2 Kings Road, Swansea. The lease is for a term of 2 years from 27 February 2007 at an annual rent of £41,464.50. The service charge payable by the Tenant is a fixed contribution of £19,745 per annum. No alienation, save charging, is permitted.

## 11. **Taxation**

**The following statements are intended as a general guide only, based on current UK tax legislation and HM Revenue & Customs practice, to the UK tax position of UK residents who are the absolute beneficial owner of their shares and who are holding their shares as investments and not as trading stock. Any person who is in any doubt as to his tax position, or who is or may be subject to a tax in a jurisdiction other than the UK, should consult an appropriate professional adviser.**

### 11.1 *Dividends*

11.1.1 Under the current UK tax legislation, no tax will be withheld from any dividend paid by the Company.

11.1.2 A UK resident individual shareholder is entitled to a tax credit in respect of the dividend received and will be subject to UK income tax on the aggregate of the dividend received and the related tax credit (the "gross dividend").

11.1.3 The value of the tax credit is currently an amount equal to one ninth of the dividend received (or 10 per cent. of the gross dividend). For the purpose of higher rate tax, the dividend will be treated as the top slice of the shareholder's income. A starting rate or basic rate taxpayer will be subject to tax on the gross dividend at the rate of 10 per cent., the tax credit satisfying his liability in full. A higher rate taxpayer will be subject to income tax on the gross dividend at the rate of 32.5 per cent. but will be able to set off the tax credit against this liability.

11.1.4 UK resident shareholders whose income tax liability is less than the tax credit are not entitled to claim a repayment of any part of the tax credit associated with the dividends paid by the Company.

11.1.5 UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

- 11.1.6 Subject to certain exceptions for some insurance companies, a UK resident corporate shareholder should not (unless carrying on a trade of dealing in shares) be liable to UK corporation tax on any dividend received from the Company.
- 11.1.7 A non-UK resident shareholder is not generally entitled to a tax credit in respect of the dividend received. However, such a shareholder may be entitled to a payment from HM Revenue & Customs of a proportion of the tax credit under a double tax convention or agreement between the UK and the country in which he is a citizen.
- 11.1.8 A non-UK resident shareholder may be subject to foreign tax on the dividend received. Such a shareholder should consult his own tax adviser on the incidence of taxation in the country in which he is resident, whether he is entitled to the benefit of any tax credit and the procedure for claiming payment.

## 11.2 *Chargeable Gains*

- 11.2.1 A shareholder resident (or ordinarily resident) for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may incur a liability to tax on any capital gain which is realised. Special rules apply to individuals at a time when they are temporarily not resident or ordinarily resident in the UK.
- 11.2.2 Taper relief may apply to reduce the chargeable gain assessable to Capital Gains Tax in relation to the period in which the investment is held. The scales of relief depend on whether the investment is a “business” or “non-business” asset. Business assets include shares in qualifying unquoted trading companies, and for these purposes, companies admitted to trading on AIM are regarded as unquoted.
- 11.2.3 A shareholder who is neither resident nor ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares will not normally be liable to capital gains tax on the gain which is realised. A liability to tax may arise in respect of a gain if such shareholder carries on a trade in the UK through a branch or agency and such Ordinary Shares are or have been used, held or acquired for the purposes of a trade carried on by the branch or agency.

## 11.3 *Stamp Duty and Stamp Duty Reserve Tax*

- 11.3.1 The subscription for the Placing Shares pursuant to the Placing will be free of stamp duty and stamp duty reserve tax (“SDRT”) unless the Placing Shares are acquired for the purposes of an arrangement for the provision of clearance services or the issue of depositary receipts. The Company will not be responsible for the payment of stamp duty or stamp duty reserve tax in any such case.
- 11.3.2 Agreements to transfer Ordinary Shares within CREST (where there is a change in the beneficial ownership of Ordinary Shares) will attract SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration. The charge to SDRT arises, in the case of an unconditional agreement to transfer such shares within CREST, on the date of the agreement, and in the case of a conditional agreement, on the date the agreement becomes unconditional. The SDRT is payable on the fourteenth day following the transaction.
- 11.3.3 There is no additional stamp duty or SDRT liability where Ordinary Shares are taken out of CREST (otherwise than pursuant to a transfer on sale), and there is not additional stamp duty or SDRT liability if Ordinary Shares are deposited into CREST for conversion into uncertified form (otherwise than pursuant to a transfer on sale or in contemplation of such sale).
- 11.3.4 Transfers on sale of existing Ordinary Shares outside CREST will be liable to ad valorem stamp duty normally at the rate of 0.5 per cent. of the amount or value of the chargeable consideration. A charge to SDRT, normally at the rate of 0.5 per cent. of the consideration, arises, in the case of an unconditional agreement to transfer shares outside CREST, on the date of the agreement becomes unconditional. The SDRT is payable on the seventh day of the month following the month in which the charge arises. However, where an instrument

or transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement (or, if the agreement is conditional, the date on which the condition is satisfied), the SDRT charge is cancelled to the extent that the SDRT has not been paid, and if any of the SDRT has been paid, a claim may be made for its repayment, generally with interest. SDRT and stamp duty are normally the liability of the purchaser.

11.3.5 Liabilities to stamp duty will be rounded up to the nearest multiple of £5.

#### 11.4 *EIS and VCT*

The Company has received confirmation from HMRC that it is a qualifying company and that the Placing Shares are eligible shares under the EIS legislation, and that the Company is a qualifying holding under the VCT legislation. The following is a summary of the treatment of the Company under EIS legislation.

##### 11.4.1 *Summary of EIS*

- (a) To obtain the EIS tax reliefs described in greater detail below, it is necessary for qualifying investors to subscribe for Ordinary Shares and claim the relief. The summary below is a brief outline only of the tax relief available and how they operate for a 40 per cent. taxpayer. It does not set out all the applicable rules with which the Shareholders and the Company must comply in order for the EIS tax relief to be available and to be retained. Potential investors are strongly advised to seek independent professional advice before subscribing for Ordinary Shares pursuant to the Placing. The EIS tax reliefs only apply to the Shareholders who pay income tax and/or wish to defer a capital gain.
- (b) EIS tax relief consists of a number of income tax and capital gains tax elements and is only available to UK tax-resident subscribers for shares in an EIS-qualifying company. Persons to whom shares are later transferred will not benefit. Subscribers must be individuals, or, in respect of CGT deferral only (see below), trustees of certain kinds of trust.
- (c) **Income tax relief** Shareholders may deduct an amount equal to tax at the lower rate on the amount subscribed for eligible shares from their total liability to income tax for the tax year in which the eligible shares were issued subject to an overall maximum of £400,000 per annum. The relief is presently obtained at 20 per cent.
- (d) **CGT exemption** To the extent that EIS income tax relief is given and not withdrawn on the eligible shares that were originally subscribed from an EIS-qualifying company, there is no capital gains tax due on gains arising on the disposal of those shares provided these have been held for three years from the date of issue.
- (e) **CGT deferral relief** Liability to capital gains tax arising from the disposal of any asset may be deferred by investing the capital gain (or part of the capital gain) in the eligible shares of an EIS-qualifying company.
- (f) **Shareholders qualifying for EIS tax relief** A shareholder must not be, nor have been within the previous two years, connected with the Company, or become connected with it within the next three years, if he is to retain the EIS tax relief (other than CGT deferral relief at (c) above).
- (g) **Qualifying Trade** The Company must carry on a “Qualifying Trade” or be the parent company of a trading group that carries on a “Qualifying Trade”. HM Revenue and Customs have been asked for confirmation that this is the case for the Company, and therefore that EIS tax relief should be available to its shareholders.
- (h) **Withdrawal of EIS tax relief** If the Company ceases to carry on its Qualifying Trade, EIS tax relief will be withdrawn.

11.4.2 No part of this document should be construed as constituting tax advice. The value of any tax relief available will depend on the personal circumstances of the Shareholders and any such advice should be obtained from an investor's own tax adviser before subscribing for an Ordinary Share.

## **12. Working Capital**

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group following completion of the Placing will be sufficient for its requirements for at least 12 months from the date of Admission.

## **13. Litigation**

13.1 The Company is not, and has not been over the 12 month period prior to the date of this document, involved in any legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Company which are having or may have a significant effect on the Company's financial position.

13.2 Enfis is not, and has not been over the 12 month period prior to the date of this document, involved in any legal or arbitration proceedings, active, pending or threatened against, or being brought by, Enfis which are having or may have a significant effect on Enfis' financial position.

## **14. Consents and Responsibility Statement**

### **14.1 Noble**

Noble has given and has not withdrawn their written consent to the inclusion in this document of its name and the references to them in the form and context in which they appear.

### **14.2 PwC**

PwC has given and has not withdrawn its written consent to the inclusion of its name and its reports in Parts 4 and 5 of this document in the form and context in which they appear. PwC has authorised the contents of those parts of this document in which their report appears for the purposes of item 23.1 Annex I to the AIM Rules.

## **15. General**

### **15.1 Significant Change - Company**

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 2 March 2007 being the date of the financial information in Section B of Part 4 of this document.

### **15.2 Significant Change – Enfis**

Save as disclosed in this document, there has been no significant change in the financial or trading position of Enfis since 31 December 2006, being the end of the financial period to which the financial information in Section B of Part 5 of this document relates.

### **15.3 Expenses**

The total cost (including fees and commissions) of Admission is expected to be no more than £567,000 (excluding reasonable expenses and any amounts in respect of VAT) and is payable by the Company.

### **15.4 Payments to Promoters**

Save as disclosed in this document, no person (other than as disclosed in this document) has received, directly or indirectly, within the 12 months preceding the date of this document, or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- (a) fees totalling £10,000 or more;
- (b) securities where these have a value of £10,000 or more; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

**15.5 Major Shareholders**

No major shareholder in the Company has different voting rights.

15.6 Save as disclosed in Part 1, there are no exceptional factors which have influenced the Group's activities and there are no significant investments in progress.

15.7 Save as disclosed in this document there are no known trends, uncertainties, demands or events that are reasonably likely to have a material effect on the Company's prospects for the coming financial year.

15.8 So far as the Directors are aware, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.

15.9 The financial information set out in the document does not constitute statutory accounts of the Company nor Enfis within the meaning of section 240 of the Act. No statutory accounts of the Company have been delivered to the Registrar of Companies.

**16. Availability of Admission Document**

Copies of this document will be available free of charge to the public at the offices of Noble & Company Limited at 120 Old Broad Street, London EC2N 1AR during normal office hours (Saturdays, Sundays and public holidays excepted) from the date of this document until one month from Admission.

Dated: 16 March 2007

