

Company Registration No. 3904098

FlexEnable Limited

Annual report for the year ended December 31, 2016

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FlexEnable Limited
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FLEXENABLE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors of FlexEnable Limited present their strategic report of the Company for the year ended December 31, 2016.

Strategy and Business Model

FlexEnable Limited is a global technology leader in plastic electronics. The principal activities of the company during the year were to commercialize plastic electronics products and to pursue technology and manufacturing partnerships to exploit its plastic and fully flexible OLCD's (Organic Liquid Crystal Displays) and to broaden the company's core technology to be able to work with more display media (e.g. Active-Matrix Organic Light-Emitting Diode - AMOLED) and flexible non-display solutions for sensors utilizing the Company's Organic Thin Film Transistor (oTFT) technology.

During the year, the Company's market opportunity was continuing to increase due to the development of opportunities in the automotive, flexible sensor, mobile displays, wearables and Internet of Things (IoT) markets.

Review of the business

During 2016 the company has strengthened and advanced the underlying transistor technology platform, in order to increase performance and applications across displays and sensor arrays, with key areas including OLCD, OLED, X Ray and Biometric Sensors. The underlying technology (transistor) is now on par with the dominant Thin Film Transistors (TFTs) technology used in the vast majority of displays, meaning equivalent performance is now possible, but with all of the benefits of glass-free displays. The ability to now make full colour, video rate flexible displays opens many new applications for the technology.

Sales were made through working with industry players to support their product and services requirements – through sales of prototypes and samples for evaluation, materials qualification and other non-recurring engineering (NRE) across the aforementioned application areas, with clear areas of traction emerging for flexible displays and sensor arrays (automotive, mobile devices and wearable), as well as for X Ray sensors – where the benefits of unbreakability and light-weight, as well as potential increases in sensitivity, can lead to safer and more deployable systems. All of the above applications involve "active surfaces" that are enabled by FlexEnable's underlying IP in patents and know-how for organic TFT arrays – a process that is already industrially proven and used commercially in products containing epaper displays.

In addition, the Company has continued to earn income working in partnerships on funded projects that facilitate development into new markets, and further the core technology itself.

Total revenues from the sale of technology and NRE, was £496,000 (2015:£3,440,000, including a licence for £3,042,000 to a former Group company, £398,000 excluding this one off sale); other income from successfully awarded funded projects has increased from £908,000 to £961,000, an increase of 6%. On a like for like basis revenues from sale of technology and NRE, excluding the one off licence sale in 2015 of £3,042,000, and funded projects have increased from £1,306,000 to £1,457,000.

Key performance indicators

FlexEnable's core technology is highly disruptive and enables new markets. The company operated under its newly focused technology strategy and was in development stage during the year. As such, the financial performance indicator used by management to manage the company is the operating budget required for key technology and market development, with specific focus on cash flows.

Management considers research and development expenditures and operating loss to be key performance indicators. For the year ended December 31, 2016 and 2015 research and development expenditures were £2.9 million and £2.9 million, respectively; and operating losses were £6.4 million and £10.0 million, respectively.

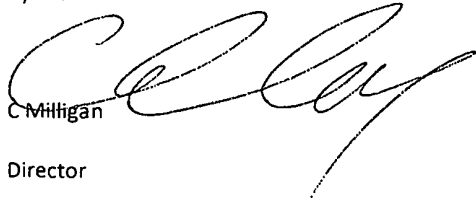
FLEXENABLE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Expected future developments

During 2017, the Company plans to continue its research and development activities in Cambridge to develop its unique plastic electronics technology for flexible display and non-display applications. It will deliver its technology to OEMs, component manufacturers and materials vendors through partnership models. Through extensive partnering, FlexEnable Limited will establish the efficient supply chains necessary for truly flexible, large area electronics to reach their full potential in the display, sensor, wearables and IoT/ connected sensors markets.

By order of the Board


C Milligan

Director

21 September 2017

FLEXENABLE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors of Flexenable Limited present their directors' report and the audited financial statements of the Company for the year ended December 31, 2016.

General Information

FlexEnable Limited is a global technology leader in plastic electronics. The Company is incorporated as a Limited company in England & Wales its registered office being 34 Science Park, Milton Road, Cambridge, CB4 0FX.

During 2015 the majority of the Company's share capital was acquired by OJSC Rusnano, a shareholder of Plastic Logic Holding Plc, and the Company ceased to be a part of the group headed by Plastic Logic Holding Plc ("Group"). At 31 December 2015 and 31 December 2016 the Company was majority owned by OJSC Rusnano, a company incorporated in Russia.

Future Developments

The future developments for the company are as noted in the Strategic Report on page 2.

Dividends

The directors do not recommend the payment of a dividend for 2016 or 2015.

Capital structure

Details of the authorized and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 17.

Research and development activities

Core Technology Development – The Cambridge prototype line transforms plastic into high resolution flexible displays and circuits using the organic transistor design and process developed by the Company. Transistors produced using this method are highly flexible and rugged whilst having the same performance as those used in glass a:Si displays but with the benefit of being rugged and truly flexible, not only because they are made on a plastic sheet but also because the transistor itself is made of plastic. This process is industrially proven, and very low temperature (below 100 degree C during manufacture) compared to conventional transistor technologies, which brings direct industrial economic benefits to flexible displays, through the use of lower cost substrates (like PET), and through better process yields by avoiding the distortion that occurs at higher temperatures when dealing with plastic.

Display module – Flexible display modules have been fabricated in small prototype quantities in the prototype line in Cambridge. The display module is a flexible active matrix backplane laminated with display media. High voltage driver ICs are bonded around the edges. The display modules have a switchable active area in a variety of sizes, and with very high pixel densities. Processes developed allow the fabrication of colour flexible display modules. The prototype line in Cambridge is now able to produce, in conjunction with partners, flexible OLED and AMOLED demonstrators, that prove the performance levels that OTFT can now achieve, and therefore its ability to serve mainstream markets.

Non-display applications – The organic transistors developed by the Company can be used for various applications in addition to displays such as sensors, sensor arrays and other integrated logic circuits. Previously the Company has demonstrated the building block of logic such as NAND gates. More recent development is focused on using the OTFT array for sensor applications, where there is growing interest spurred on by the Internet of Things resulting in the integration of electronics technology into everyday objects. Two particular areas of focus are prototyping image sensors for flexible X Ray sensors, and flexible, label-thin high performance fingerprint sensors, both of which are carried out with partners who know the market need for these flexible technologies.

FLEXENABLE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Process Development and Manufacturing – The Company's low temperature (<100°C) solution based process and substrate mapping (overcomes movements in the plastic during processing) are the key differentiators that make Flexenable the only truly scalable, industrially proven manufacturing process for plastic flexible displays. The Company has developed flexible display prototypes and scaled to manufacture in volume, and is developing improved manufacturing processes and flexibility to manufacture a range of sizes.

The Company runs a prototype display module line which mirrors the final manufacturing process and is focused on improving the array performance to for applications, such as OLED and AMOLED.

A vast majority of process steps, materials and equipment used in the manufacturing process are standard in displays or related industries today. Where non-standard equipment and custom materials are used, the Company has developed close relationships with the suppliers required for the delivery timescales, performance levels and process yields.

Patents – The Company owns a broad portfolio of 146 patents and patent applications, 90 of which are granted in one or more jurisdiction. Our key patents/patent applications protect individual steps of our flexible display manufacturing process giving significant protection if our technology is adopted as the standard for flexible displays. The patents cover the areas of High Volume Flexible Display and array manufacture, integrated smart systems and printed organic transistors, high resolution flexible circuit boards and e-reader products. We continue to be proactive in inventing and acquiring new technology, and we will continue to exploit our relationships with world class institutions such as the Cavendish Laboratory, University of Cambridge.

Disabled persons

Within the Company, disability is not seen to be an inhibitor to employment or career development. In the event of any staff becoming disabled while with the Company, their needs and abilities would be assessed and the Company would, where possible, seek to offer alternative employment to them if they were no longer able to continue in their current role.

Employee involvement

The Company encourages consultation with, and the involvement of, all levels of staff in its decision-making processes. To this end, there are regular internal meetings and e-mail communications which involve employees from all parts of the Company in discussions on future strategy and developments. Furthermore, employee share ownership is encouraged with the majority of employees being able to participate in at least one of the Company's share option schemes. The Company has an informal and delegated organizational structure. It does not presently operate any collective agreements with trades unions.

Board of directors

Executive Directors who held office during the year and up to the date of signing the financial statements.

Professor Henning Sirringhaus, Chief Scientist. a world-renowned pioneer and expert in plastic electronics, and co-founder of Plastic Logic, is Hitachi Professor of Electron Device Physics, Head of Microelectronics and Optoelectronics Group and a Fellow of Churchill College at the University of Cambridge. Henning was recently awarded the Faraday medal for Physics.

Charles Milligan, CEO has over 20 years' international commercial and general management experience in the semiconductor, consumer electronics, communications, industrial and aerospace markets. Mr. Milligan was appointed to the Board on 22nd May 2015.

Indro Mukerjee, non-Executive Chairman and former CEO of Plastic Logic Holding Plc, has extensive board-level experience in corporate multinational and fast-moving technology and industrial companies. Indro has a long history of board-level experience, and a background in engineering science and business management. Mr. Mukerjee resigned from the Board on the 28th April 2014 and was re-appointed as Chairman of the Board on 28th July 2015.

FLEXENABLE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Board of directors (continued)

Dr Hermann Hauser, KBE, CBE has deep experience in developing and financing companies in the IT sector. Hermann co-founded the legendary company Acorn Computing. With a number of honorary doctorates from distinguished British universities, and as Fellow of the Royal Society, the Institute of Physics and of the Royal Academy of Engineering, and an Honorary Fellow of King's College, Cambridge. Appointed as a director on 28th July 2015.

Ronald Black, PhD, is the President and Chief Executive Officer of Rambus Inc., a leading, publicly-traded US technology solutions company. Ron has over 20 years' experience running businesses in the global semiconductor and mobile markets. Appointed as a director on 28th July 2015.

Lord Alec Broers is a member of the UK House of Lords and has been involved with the electronics industry for 50 years, including pioneering work on the evolution of IBM's silicon chips and on the world's first nano-electronic devices. Alec has held a number of prestigious positions, including Vice-Chancellor of the University of Cambridge and Board Chairman of Diamond Light Source, and he has chaired the House of Lords Science and Technology Select Committee. Appointed as a director on 28th July 2015.

Nikolay Tychinin, Investment Director at Rusnano, with a deep knowledge in venture capitalism, coupled with a science background. Nikolay has held key finance positions within industry-leading companies, and has an MBA from Duke University. Appointed as a director on 28th July 2015.

Financial risk management

Information about the key risks faced by the Company is provided in Note 3. The directors consider that the Company does not have material credit risks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Going concern

In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The Company is reliant on funding from its shareholders and external investors to continue with its business plan.

Management has prepared cash flow forecasts for the foreseeable future and notes that additional funding will be required within the next 12 months in order to continue with its business plan. The directors expect to receive additional funding from existing investors and to raise funds from new investors to enable the Company to continue with its business plan for at least the next twelve months from the date of approval of the financial statements. Management is pursuing fund raising with a number of parties to provide funding in order to continue the long term business plan.

The Directors have concluded that it is appropriate to prepare the Company's financial statements on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future on the basis that it is reasonable to assume that the necessary financial support will be received from existing shareholders and external investors.

Although the directors expect that further funding will be received to fund the Company, the lack of formal support and the fact that the funding arrangements have not been finalised at the date of approval of the financial statements means there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Should the funding arrangements not be finalised as envisaged, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

FLEXENABLE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

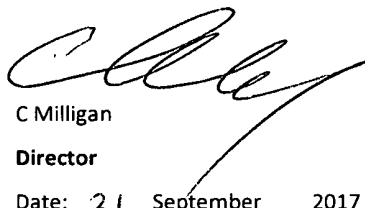
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.



C Milligan
Director
Date: 21 September 2017

FLEXENABLE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLEXENABLE LIMITED

Report on the financial statements

Our opinion

In our opinion, FlexEnable Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis and the validity of this depends on the Company successfully obtaining future funding from its existing shareholders and new investors. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2016;
- the Income Statement and the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

FLEXENABLE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLEXENABLE LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

FLEXENABLE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLEXENABLE LIMITED

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

21 September 2017

FlexEnable Limited
INCOME STATEMENT

For the year ended December 31,

	Note	2016 £000s	2015 £000s
Continuing operations			
Revenue	5	496	3,440
Cost of sales		(76)	(164)
Gross profit		420	3,276
Research and development expenses		(2,872)	(2,930)
General and administrative expenses		(3,955)	(10,152)
Sales and marketing expenses		(958)	(1,058)
Other operating income	5	961	908
Operating loss	6	(6,404)	(9,956)
Finance income	9	-	214
Finance costs	9	(674)	(1,620)
Loss before income tax		(7,078)	(11,362)
Income tax credit/(charge)	10	1,571	(62)
Loss for the year		(5,507)	(11,424)

STATEMENT OF COMPREHENSIVE INCOME

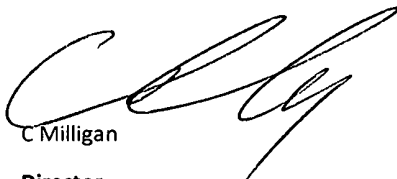
For the year ended December 31,

	2016 £000s	2015 £000s
Loss and total comprehensive expense for the year	(5,507)	(11,424)

FlexEnable Limited
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

As at December 31,	Note	2016 £000s	2015 £000s
ASSETS			
Non-current assets			
Property, plant and equipment	11	179	269
Intangible assets	12	36	63
		<u>215</u>	<u>332</u>
Current assets			
Trade and other receivables	13	810	821
R&D tax credit receivable	13	4,957	3,259
Cash and cash equivalents	14	960	1,208
		<u>6,727</u>	<u>5,288</u>
TOTAL ASSETS		<u>6,942</u>	<u>5,620</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	(10,216)	(3,408)
TOTAL LIABILITIES		<u>(10,216)</u>	<u>(3,408)</u>
NET (LIABILITIES)/ASSETS		<u>(3,274)</u>	<u>2,212</u>
EQUITY			
Equity attributable to the owners			
Share capital	17	21,198	21,198
Share Premium		68,356	68,356
Foreign exchange reserve		29,022	29,022
Other reserves		203,972	203,972
Accumulated losses		(325,822)	(320,336)
TOTAL EQUITY		<u>(3,274)</u>	<u>2,212</u>

The financial statements on pages 11 to 34 were authorised for issue by the board of directors on 21 September 2017 and were signed on its behalf.



C Milligan

Director

FlexEnable Limited

Registered Number 3904098

FlexEnable Limited
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

£'000s	Share Capital	Share Premium	Reconstruction Reserve	Foreign Exchange Reserve	Capital Redemption Reserves	Accumulated Losses	Total Equity
Balance at January 01, 2015	-	-	203,764	29,022	208	(308,930)	(75,936)
Comprehensive expense:							
Net loss for the year	-	-	-	-	-	(11,424)	(11,424)
Transactions with owners:							
Proceeds from shares issued	21,198	68,356	-	-	-	-	89,554
Credit to equity for share-based payments	-	-	-	-	-	18	18
Total transactions with owners	21,198	68,356	-	-	-	18	89,572
Balance at December 31, 2015	21,198	68,356	203,764	29,022	208	(320,336)	2,212
Comprehensive expense:							
Net loss for the year	-	-	-	-	-	(5,507)	(5,507)
Transactions with owners:							
Proceeds from shares issued	-	-	-	-	-	-	-
Credit to equity for share-based payments	-	-	-	-	-	21	21
Total transactions with owners	-	-	-	-	-	21	21
Balance at December 31, 2016	21,198	68,356	203,764	29,022	208	(325,822)	(3,274)

Reconstruction reserve: The Group reorganized in 2010, and FlexEnable Limited shareholders exchanged their shareholdings for shareholdings of new Plastic Logic Holding Plc shares by means of a scheme of arrangement. Under the scheme of arrangement, the difference between the nominal share value and the fair value at the time of the scheme of arrangement was recorded as a restructuring reserve. All FlexEnable Limited shareholders received Plastic Logic Holding Plc shares with a par value of €0.01 in exchange for their FlexEnable Limited shares with a par value of £0.01.

The foreign exchange reserve comprises £5,444,000 of exchange losses on translation on change of functional reporting currency from pounds sterling to US dollar in 2008 and £34,466,000 exchange gain from the change in functional currency from US dollars to pounds sterling in 2016.

The capital redemption reserve, of £208,000, comprises an adjustment made for the cancellation of deferred shares in 2009. The company canceled 20,774,532 of its deferred shares with a nominal value of \$0.4 million for a total consideration of £0.23.

FlexEnable Limited
STATEMENT OF CASH FLOWS

For the year ended December 31,	Note	2016 £000s	2015 £000s
Net cash used in operating activities	18	(4,807)	(6,711)
Investing activities			
Purchase of property, plant and equipment	11	(65)	(163)
Purchases of intangible assets	12	(12)	(36)
Net cash used in investing activities		(77)	(199)
Financing Activities			
Intercompany funding (excluding foreign exchange movements)		-	(2)
Proceeds of loan financing		4,588	4,587
Repayment of loan financing		-	(15)
Proceeds from issue of Ordinary shares		-	22
Net cash generated from financing activities		4,588	4,592
Net decrease in cash and cash equivalents		(296)	(2,318)
Cash and cash equivalents at beginning of year		1,208	3,509
Exchange gains on cash and cash equivalents		48	17
Cash and cash equivalents at end of year		960	1,208

FlexEnable Limited (formerly Plastic Logic Limited)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION:

FlexEnable Limited is engaged in the research, design and development of products based on the plastic electronics technology.

The Company conducts its operations primarily in the United Kingdom.

FlexEnable Limited is a company domiciled in the United Kingdom and incorporated in England and Wales under the Companies Act 2006. The address of its registered office is 34 Cambridge Science Park, Milton Road, Cambridge, CB4 0FX. The company registration number for FlexEnable Limited is 3904098.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of the financial statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise stated. The Company's fiscal year end is December 31. The financial statements are presented in United States dollars.

Basis of Preparation

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRSs as adopted by the EU).

The financial statements have been prepared based on the principle of the historical cost of acquisition, construction or production, with the exception of the items reflected at fair value.

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

Going concern

In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The Company is reliant on funding from its shareholders and external investors to continue with its business plan.

Management has prepared cash flow forecasts for the foreseeable future and notes that additional funding will be required within the next 12 months in order to continue with its business plan. The directors expect to receive additional funding from existing and new investors to enable the Company to continue with its business plan for at least the next twelve months from the date of approval of the financial statements. Management is pursuing fund raising with a number of other parties, as further funding is likely to be required over the next few years, in order to continue the long term business plan.

The Directors have concluded that it is appropriate to prepare the Company's financial statements on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future on the basis that it is reasonable to assume that the necessary financial support will be received from existing shareholders and external investors.

Although the directors expect that further funding will be received to fund the Company the lack of formal support and the fact that the funding arrangements have not been finalised at the date of approval of the financial statements means there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Should the funding arrangements not be finalised as envisaged, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

New and amended standards adopted by the company

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2016, none of these are material to the Company:

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38.

The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either the intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or it can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

Disclosure Initiative - Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The following standards have been published, endorsed by the EU, and available for early adoption but have not yet been applied by the Company in these financial statements:

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of clarification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at the fair value through profit and loss with the irrevocable option at inception to present changes in fair value at OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designate at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bridge line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):
New and amended standards adopted by the company (continued).

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change. Impact: The standard will affect primarily the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of £901,000, see note 13. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. This disclosure is mandatory for financial years commencing on or after 1 January 2019. At this stage, the company does not intend to adopt the standard before its effective date.

The above standards are not expected to have a significant impact on the financial statements of the Company and there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Foreign Currency Translation

The company's functional and presentation currency is UK Sterling (GBP).

From 1 January 2016, the Company changed its presentation currency from US dollars (USD) to UK pounds sterling (Sterling) which is consistent with the functional currency of the Company. In 2015 the Company ceased to be part of the Plastic Logic Group, which had prepared consolidated accounts in USD, and operated as an autonomous entity based in the United Kingdom. As a result of this change the directors considered it necessary to change the Company's functional currency to UK pounds sterling as this is the currency of the economic environment in which the entity primarily generates and expends cash.

Comparative figures for the year ended 31 December 2015 have been re-presented in Sterling. The balance sheet at 31 December 2015 has been re-presented using the closing exchange rate published by HMRC of US\$1,5003/£1, and the income statement for the year ended 31 December 2015 has been re-presented in Sterling using the average monthly exchange rates for the year published by HMRC. Differences resulting from the re-translation of the opening net assets and the results for the prior period have been taken to other comprehensive income.

Transactions denominated in a foreign currency are translated at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Sterling at rates of exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in income statement within interest receivable/payable. All other foreign exchange gains and losses are presented in the income statement within operating expenses.

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 balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered, stated net of discounts, returns and value added taxes. The company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met. Sales of goods are recognized when the goods are delivered and title has passed or the services provided. For sales of services, revenue is recognized in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Finance Income

Finance income represents interest income, and is recognized on a time-proportion basis using the effective interest method.

Funded project income

The Company has received funds for research projects from the UK government and the European Union. Once the outcome of a project application is sufficiently certain, the income is recognized as other operating income over the periods necessary to match with the related costs and is shown as accrued or deferred income as applicable in the balance sheet.

Leases

Leases are classified as finance leases if substantial risks and rewards of ownership are transferred to the lessee. At the commencement of the lease term, finance leases are recognized as both assets and liabilities in the balance sheets at the lower of the fair value of the leased property and the present value of the future minimum lease payments. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved by the Company's shareholders. The Company has not declared and paid any dividends to date.

Property, Plant and Equipment

Property, plant and equipment is carried at the cost of acquisition or construction less accumulated depreciation expensed over its estimated useful life. Cost includes expenditures that are directly attributable to the acquisition of the items and the costs incurred to make the assets ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenses for the repair of property, plant and equipment, such as ongoing maintenance costs, are charged to the income statement during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of property, plant and equipment, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The following depreciation periods, based on the estimated useful lives of the respective assets, are applied throughout the Company:

Leasehold improvements	3 years
Scientific and office equipment	3-5 years

Residual values are the estimated amount that the Company would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life, based on prices prevailing at the balance sheet date. In general, residual values are nil or negligible due to the technical and specialized nature of the assets held.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property, Plant and Equipment(continued).

Provision is made against the carrying value of property, plant and equipment where impairment in value is deemed to have occurred. Asset lives and residual values are reviewed on an annual basis.

When assets are sold or scrapped, the difference between the net proceeds and the carrying amount of the assets is recognized as a gain or loss in other operating income or expenses, respectively.

Intangible Assets

Patents and Exclusive Licenses - Patents and exclusive licenses are initially recorded at actual cost or present value of future minimum payments and are amortized on a straight-line basis over their estimated useful lives of 3 to 5 years.

Software - Costs associated with maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company that will probably generate economic benefits beyond one year are recognized as intangible assets. Costs include the employee costs incurred to develop the software, implementation fees paid to outside consultants and an appropriate portion of relevant overhead with respect to the development. Computer software development costs recognized as assets are amortized over their estimated useful lives of 3 years starting from the date when it is ready for its intended use. No provision for amortisation is made on project-in-progress until it is completed and ready for its intended use. Computer software leased from third parties is recognized as an asset if substantial risks and rewards of ownership are transferred. Assets under finance lease are amortized over the lease term.

Research and Development Expenses

Research costs are expensed as incurred. Costs incurred on development projects for plastic electronic products are recognized as an intangible asset where the technical feasibility and intention of completing the project under development have been demonstrated and the resources are available to do so, costs are identifiable and can be reliably measured, and there is an ability to market the product to generate future economic benefits. Development costs that do not satisfy the above criteria are expensed as incurred.

Impairment of Non-financial Assets

Assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial Assets

All of the Company's financial assets are classified as loans and receivables which are non-derivative financial assets that are not quoted in an active market. This classification depends on the purposes for which the financial assets were acquired and is determined by management on initial recognition.

Impairment of financial assets

The Company considers at each reporting date whether there is any indication that any financial assets are impaired. If there is such an indication, the Company carries out an impairment test by measuring the assets' recoverable amount, which is the higher of the assets' fair value less costs to sell and their value in use. If the recoverable amount is less than the carrying amount an impairment loss is recognized, and the assets are written down to their recoverable amount.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Company has ordinary and preferred shares which are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. Any excess of proceeds from a new issue of shares (net of incremental costs directly attributable to the new issue) over the par value of the shares issued is recognized as share premium.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Trade payables are recognized at fair value and as they are not interest bearing are not subsequently measured at amortised cost.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the United Kingdom. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities, using a methodology based on weighted average probability.

Deferred income tax is provided for 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 statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different entities where there is an intention to settle the balances on a net basis.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FINANCIAL RISK MANAGEMENT:

Capital risks

During 2016 the Company received loan funding of £3,463,000 (2015: £4,587,000) from its major shareholder, OJSC Rusnano and £964,000 from CJSC Plastic Logic a subsidiary of OJSC Rusnano. Loans amounting to £8,572,000, including accrued interest, previously received from OJSC Rusnano were satisfied by the issue of Preferred shares in 2015 (note 17).

The Company manages its capital to ensure that the Company will be able to continue as a going concern. The capital structure of the Company consists of cash and cash equivalents (Note 14) and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings (Note 17).

Categories of financial instruments

At December 31,	2016 £000s	2015 £000s
Financial assets:		
Loans and receivables:		
Trade debtors	111	225
Accrued income	357	382
Cash and cash equivalents	960	1,208
Total	1,428	1,815

At December 31,	2016 £000s	2015 £000s
Financial liabilities: At amortized cost		
Trade creditors and accruals	(977)	(721)
Loan from related party	(943)	-
Shareholder loan	(7,674)	(2,411)
Total	(9,594)	(3,132)

Financial risk management objectives

The Company manages foreign currency exposure by holding the cash funds in the currencies forecast to be spent in future months. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risks

Market risks are the risks that changes in market prices, such as foreign exchange rates, interest rates and other price risks, especially commodity price risks, will affect the Company's income or value of its holdings of financial instruments.

The Company's activities expose it primarily to the risks of changes in foreign currency exchange rates. The Company does not use derivatives to manage the foreign currency risks within the Company. Interest rate risk is not considered significant.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise both in terms of transactional risk as well as translational risk. Translational risk is not hedged by the Company. The majority of the Company's equity and loan financing is received in US dollars and the Company's functional currency is GB pounds sterling. The majority of the Company's assets are denominated in Pounds Sterling.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED):

Foreign currency risk management

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

At December 31,	2016 £000s	2015 £000s
Assets denominated in:		
Euros	526	200
Japanese Yen	2	2
US Dollars	314	1,077
Liabilities denominated in:		
Euros	(1,741)	(67)
Japanese Yen	(5)	-
US Dollars	(7,734)	(2,444)

Foreign currency sensitivity analysis

The Company is mainly exposed to the currencies of Europe (Euros); the United States (US Dollars) and Japan (Japanese Yen). The following table details the Company's sensitivity to a 10% increase and decrease in the GB pound sterling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the pound sterling strengthens 10% against the relevant currency. For a 10% weakening of the pound sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

Foreign currency risk management

Year ended December 31,	2016 £000s	2015 £000s
A 10% weakening in pounds sterling against other currencies would result in an increase/(decrease) in profit of:		
Euros	(122)	16
US Dollars	(742)	(137)

Forward foreign exchange contracts

The Company did not during the year use derivatives to manage the foreign currency risks.

Interest rate risk management

The Company incurs interest expenses on loans from shareholders. These are not considered a risk as they are at a fixed interest rate.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and monitoring forecast and actual cash flows.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The preparation of financial statements in conformity with IFRS requires the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Set forth below are areas requiring significant judgement and estimation that may have an impact on reported results and the financial position.

Share-Based Compensation

The Company operates various types of equity-settled share-based compensation schemes for directors and employees. Fair value of stock options is based on certain assumptions, including, among others, expected volatility and expected life of the options. Significant differences in equity market performance and employee option activity may materially affect future expense.

Property, Plant and Equipment

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

Income taxes

The company is subject to income taxes and has received income tax credits in respect of its Research and Development activity. Significant judgement is required in determining the amounts recoverable/ payable in respect of income taxes; and in assessing the weighted average probabilities of the amounts expected to be received in research and development tax credits.

NOTE 5 – REVENUE AND OTHER OPERATING INCOME

Revenue for the year ended 31 December 2016 was £496,000 (2015: £3,440,000) and other operating income from funded research and development projects was £961,000 (2015:£908,000). The Revenue for 2015 includes £3,042,000 in respect of the sale of the rights to manufacture EPD displays to another entity in the former Plastic Logic Group of companies.

Revenue by geographical region:

For the year ended December 31,

	2016 £000s	2015 £000s
Europe	264	3,316
Asia	18	61
North America	214	63
	496	3,440

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – EXPENSES BY NATURE

For the year ended December 31,	Note	2016 £000s	2015 £000s
Loss for the year has been arrived at after charging (crediting):			
Raw materials and consumables used		613	400
Net foreign exchange losses/(gains)	18	920	(5,165)
Intercompany receivable provision	20	-	12,191
Depreciation of property, plant and equipment	11	155	160
Amortisation of intangible assets	12	39	41
Operating lease payments	19	47	21
Staff costs	7	3,128	3,344
Research and development expenditure credit		(301)	(306)

Services provided by the company's auditors and associates

During the year the Company obtained the following services from the Company's auditor and its associates:

For the year ended December 31,	2016 £000s	2015 £000s
Company		
Fees payable to the Company's auditors for the audit of the Company's financial statements	25	16
No expenses were incurred in respect of non-audit fees in 2015 or 2016.		

NOTE 7 – INFORMATION REGARDING DIRECTORS AND EMPLOYEES:

The total amounts for directors' remuneration were as follows:

For the year ended December 31,	2016 £000s	2015 £000s
Directors' remuneration:		
Emoluments	394	217
Other pension costs	7	6
	401	223

No amounts were paid to third parties in respect of directors' services. No directors exercised any share options in 2016 or 2015. During 2016 and 2015 two directors received contributions to their pension scheme. Hermann Hauser is a potential beneficiary of a trust which wholly owns Providence Investment Company Limited, which owns 21,616,508 Ordinary Shares, a 0.7% stake on a fully diluted basis.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued):

Staff costs during the year (including non-executive directors)	2016 £000s	2015 £000s
Wages and salaries	2,680	2,919
Redundancy costs	78	-
Social security costs	297	349
Other pension costs	73	76
	3,128	3,344

For the year ended December 31,	2016 Number	2015 Number
<i>Average monthly number of persons employed</i>		
Research and development	35	38
Sales and administration	14	10
Total	49	48

NOTE 8 – SHARE-BASED COMPENSATION:

The Company introduced an equity-settled share option scheme open to employees and directors of the Company during 2015 for Ordinary shares in the Company. Based on the terms of the individual share option grants, share options granted under the plans generally expire seven to ten years after the grant date and generally become exercisable over a period of four years, based on continued employment, with either annual or monthly vesting. Options are exercisable at a price equal to the fair value of the Company's shares on the date of grant. A summary of the share option scheme activity and related information for the year years ended December 31, 2015 and 2016 for the Company is as follows:

	Number of share options	Weighted average exercise price
Ordinary shares		
Granted in 2015 and outstanding at 31 December 2015	381,288,796	£0.01
Lapsed in 2016	(3,442,217)	£0.01
Outstanding at 31 December 2016	377,846,579	£0.01

No options were exercised during 2015 or 2016

	2016	2015
Share options at the end of the year:	377,846,579	381,288,796
Number exercisable	221,410,274	92,081,389
Weighted average exercise price	£0.01	£0.01
Weighted average remaining contractual life	8.1 years	9.1 years
Share option prices	£0.01	£0.01
Aggregate of the estimated fair value of the options granted	£126,745	£127,627

Share-based compensation costs for share options are measured based on the fair market value of the shares as calculated by the Black-Scholes option-pricing model on the date of the grant. The Black-Scholes option-pricing model incorporates various assumptions including expected volatility, expected life and interest rates.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – SHARE-BASED COMPENSATION (continued):

The weighted average assumptions used are as follows:

	2016	2015
Weighted average share price at grant date	£0.01	£0.01
Weighted average exercise price	£0.01	£0.01
Expected volatility	0%	0%
Expected life	4 years	4 years
Risk-free interest rate	1.17%	1.28%
Expected dividend yields	0%	0%

Due to the change in shareholders of the Company there is no historic share price reference which can be used to estimate the historical volatility of the Company's share price and a volatility of 0% has been used. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Company recognized a total expense of £21,000 in the year (2015:£18,000).

NOTE 9 - FINANCE INCOME AND COSTS:

Finance income and finance costs consists of the following:

For the year ended December 31,

	2016 £000s	2015 £000s
Interest expense on shareholder loan	(674)	(561)
Inter-company interest expense	-	(1,059)
Total Finance Costs	(674)	(1,620)
Inter-company interest income	-	214
Net Finance Costs	(674)	(1,406)

NOTE 10 - INCOME TAX CHARGE:

For the year ended December 31,

	2016 £000s	2015 £000s
Current taxation		
Withheld research and development expenditure credit	(60)	(62)
Credit in respect of prior year research and development tax credits receivable	1,631	-
Tax credit/(charge) on loss on ordinary activities	1,571	(62)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20% (2015: 20.25%). Further reductions to the UK tax rates have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate from 20% at 31 December 2016 to 17% by 2020. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements. The actual tax credit for the year and the previous year differs from the standard rate for those years for the reasons set out in the following reconciliation:

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - INCOME TAX CHARGE (continued):

	2016	2015
	%	%
Standard tax rate for year as a percentage of losses	(20.00%)	(20.25%)
Tax effect:		
Capital allowances below/(in excess of) depreciation	0.4%	0.1%
Expenses not deductible for tax purposes	0.1%	1.3%
Tax losses not utilised in year or recognised as deferred tax assets	19.8%	21.85%
Additional tax losses available on research and development expenditure	-	(2.9%)
Withheld research and development expenditure credit	(0.9%)	(1.3%)
Adjustment to prior year research and development tax credit	23.1%	-
Losses from loan relationships	-	0.7%
Total tax rate for the year as a percentage of losses	22.5%	(0.5%)

Please see Note 15 for information on deferred tax assets and liabilities.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment in 2015 and 2016 were as follows:

	Leasehold Improvements £000s	Scientific and office equipment £000s	Total £000s
Cost of acquisition or construction:			
At January 1, 2015	2,875	11,729	14,604
Additions	5	158	163
Disposals	-	-	-
At December 31, 2015	2,880	11,887	14,767
Additions	-	65	65
Disposals	-	-	-
At December 31, 2016	2,880	11,952	14,832
Accumulated depreciation:			
At January 1, 2015	2,873	11,465	14,338
Charge for year	2	158	160
Disposals	-	-	-
At December 31, 2015	2,875	11,623	14,498
Charge for year	2	153	155
Disposals	-	-	-
At December 31, 2016	2,877	11,776	14,653
Carrying amounts:			
At December 31, 2015	5	264	269
At December 31, 2016	3	176	179

There are no contractual commitments for the acquisition of property, plant and equipment at December 31, 2016.

Of the depreciation charge for the year £22,000 (2015: £15,000) is included in General & Administration costs and £133,000 (2015: £145,000) in Research & Development Costs.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – INTANGIBLE ASSETS:

Changes in intangible assets in 2015 and 2016 were as follows:

	Intellectual property rights £000s	Software £000s	Total £000s
Cost of acquisition:			
At January 1, 2015	618	1,201	1,819
Additions	7	29	36
Disposals	-	-	-
At December 31, 2015	625	1,230	1,855
Additions	2	10	12
Disposals	-	-	-
At December 31, 2016	627	1,240	1,867
Accumulated amortisation:			
At January 1, 2015	581	1,170	1,751
Charge for year	15	26	41
Disposals	-	-	-
At December 31, 2015	596	1,196	1,792
Charge for year	19	20	39
Disposals	-	-	-
At December 31, 2016	615	1,216	1,831
Carrying amounts:			
At December 31, 2015	29	34	63
At December 31, 2016	12	24	36

The amortisation charge for both years is included within General and administrative expenses.

NOTE 13 – TRADE AND OTHER RECEIVABLES:

At December 31,	2016 £000s	2015 £000s
VAT recoverable	34	40
Prepayments	308	174
Accrued income	357	382
Trade and other receivables	111	225
Due within one year	810	821

Corporation tax recoverable of £4,957,000 (2015: £3,259,000) represents the expected value of research and development tax and expenditure credits (see note 21).

The carrying amounts of receivables approximate their fair values due to their short maturity terms.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - CASH AND CASH EQUIVALENTS:

At December 31,	2016 £000s	2015 £000s
Cash at bank and in hand	960	1,208
Denominated in:		
Pounds Sterling	296	82
US Dollars	132	980
Euros	529	144
Japanese Yen	3	2

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with an original maturity of three months or less.

NOTE 15 - DEFERRED INCOME TAX ASSETS AND LIABILITIES:

A deferred tax asset has not been recognized in respect of revenue losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognized is £54,908,000 (2015: £56,590,000). The asset would be recovered if the Company makes sufficient future taxable profits.

The following are the Company's major deferred tax liabilities and assets:

At December 31,	Unprovided		Provided	
	2016 £000s	2015 £000s	2016 £000s	2015 £000s
Accelerated capital allowances	165	142	-	-
Short term timing difference	22	-	-	-
Trading losses	(55,095)	(56,732)	-	-
Total	(54,908)	(56,590)	-	-

NOTE 16 - TRADE AND OTHER PAYABLES:

At December 31,	2016 £000s	2015 £000s
Trade and other payables:		
Trade creditors and accruals	(977)	(721)
Other taxation and social security	(97)	(80)
Deferred income	(525)	(196)
Amounts owed to shareholder	(7,674)	(2,411)
Third party loans	(943)	-
	(10,216)	(3,408)

The carrying amounts of trade and other payables for the Company approximate their fair values due to their short maturity terms. Trade and other payables have contractual maturities ranging from 0 to 90 days. At 31 December 2016 amounts owed to shareholders comprise a short term convertible loan repayable within 12 months if not converted to shares prior to this date. Interest is charged at an interest rate of 14% per annum.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - SHARE CAPITAL:

Shares authorised

Following full implementation of the Companies Act 2006 on October 1, 2009 and the passing of written resolutions of the Company on October 9, 2009, all references to authorised share capital were removed from the Memorandum and Articles of Association of the Company.

Shares issued and outstanding

Nominal value of share capital issued and outstanding for the Company in 2015 and 2016 were as follows:

	Balance at January 01, 2015	Change in shares issued £	Balance at December 31, 2015 £	Change in shares issued £	Balance at December 31, 2016
Ordinary	-	12,625,542	12,625,542	-	12,625,542
Preferred	-	8,572,163	8,572,163	-	8,572,163

Shares issued and outstanding for the Company in 2015 and 2016 were as follows:

	Balance at January 01, 2015	Change in shares issued	Balance at December 31, 2015	Change in shares issued	Balance at December 31, 2016
Ordinary	100	1,262,554,116	1,262,554,216	-	1,262,554,216
Preferred	-	857,216,313	857,216,313	-	857,216,313

Class rights

All classes of shares have a nominal value of £0.01 per share. All issued shares are fully paid and all shares carry equal voting and dividend rights. On a distribution of assets on a liquidity event (after paying the company's liabilities) and on an asset sale, the surplus assets will be applied first to the holders of the Preferred shares in priority to the holders of the ordinary shares and on a share sale the proceeds of sale shall be distributed to the Preferred shares in priority to the holders of the ordinary shares.

Changes in share capital

As part of the restructure in 2015, of the Group of which the Company was a part, amounts owed by the Company to Group companies of \$98m United States dollars were converted to equity and a liability for shareholder loans of \$18.8m made to Plastic Logic Holding Plc were transferred to the Company. These loans were subsequently converted to ordinary shares in 2015.

Shareholder loans of \$12,425,000 United States dollars plus accrued interest were converted into preferred shares of £0.01 each in October 2015.

A total of 1,260,338,652 ordinary shares of £0.01 each and 857,216,313 preferred shares of £0.01 each were issued on conversion of loans in 2015 and in addition 2,215,464 Ordinary Shares of £0.01 each were issued for cash in 2015.

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - SHARE CAPITAL (continued):

Share options

Activity for share options granted to subscribe for ordinary shares under the Company's share options plans in 2016 were as follows:

Exercise Price	January 1, 2015	Granted in 2015 and outstanding at 31 December 2015	Exercise Period	Average weighted remaining contractual life (years)	Average weighted remaining expected life (years)
£0.01	-	289,207,407	2016-2025	9.1	4.0
£0.01	-	92,081,389	2015-2022	9.1	4.0
Total		381,288,796			

Exercise Price	January 1, 2016	Lapsed in 2016	Outstanding at 31, December 2016	Exercise Period	Average weighted remaining contractual life (years)	Average weighted remaining expected life (years)
£0.01	289,207,407	3,442,217	285,765,190	2017-2025	8.1	3.0
£0.01	92,081,389	-	92,081,389	2017-2022	8.1	3.0
Total	381,288,796	3,442,217	377,846,579			

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 18 - CASH USED IN OPERATING ACTIVITIES:

Year ended December 31,	2016 £000s	2015 £000s
Loss before income tax	(7,078)	(11,362)
Adjustments for:		
Depreciation of property, plant and equipment (Note 11)	155	160
Amortisation of intangible assets (Note 12)	39	41
Share-based compensation expense (Note 8)	21	18
Provision against impaired receivables	-	12,191
Finance costs (net) (note 9)	674	1,406
Exchange gain on shareholder loans (Note 6)	958	-
Exchange gain on cash and equivalents (Note 6)	(48)	(17)
Operating cash flows before movements in working capital	(5,279)	2,437
Decrease in intercompany payables	-	(3,042)
Increase in receivables	(108)	(462)
Increase/(decrease) in payables	570	(496)
Exchange loss on intercompany balances	-	(5,138)
Other exchange loss/(gain) (Note 6)	10	(10)
Cash used in operations	472	(9,148)
Net cash used in operating activities	(4,807)	(6,711)

There were major non-cash transactions in 2015 on the conversion of loans to equity (Note 17).

NOTE 19 – OPERATING LEASE COMMITMENTS:

The Company leases two premises under operating lease agreements. The lease terms are between one month and five years. The majority of lease agreements are renewable at the end of the lease period at the market rate.

The Company also leases various office equipment under non-cancellable operating lease agreements. The lease terms are between two and three years.

For the year ended December 31,	2016 £000s	2015 £000s
Minimum lease payments under operating leases recognised as an expense in the year	47	21

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

At December 31,	Land and Buildings		Other	
	2016 £000s	2015 £000s	2016 £000s	2015 £000s
Within one year	189	-	4	4
In the second to fifth years inclusive	712	-	17	3
Total	901	-	21	7

FlexEnable Limited
NOTES TO FINANCIAL STATEMENTS

NOTE 20 - RELATED PARTY TRANSACTIONS:

Further shareholder loans were received, from OJSC Rusnano, in 2016 totalling £3,463,000 (2015: £4,587,000). In addition a subsidiary of the major shareholder CJSC Plastic Logic provided a loan of £964,000 in 2016 (2015 £ nil). Interest of £674,000 (2015: £561,000) was charged in the year (Note 9).

In 2015 the Plastic Logic Group, of which the Company was a part until March 2015, acquired rights to manufacture and sell EPD displays worldwide using the Company's IP for the sum of £3,042,000 (see note 5).

Year-end related party balances were as follows:

For the year ended December 31,	2016 £000s	2015 £000s
Loans from related parties:		
Loans from CJSC Plastic Logic	943	-
Amounts owed to shareholder	7,674	2,411

There were no transactions with key management personnel in 2016 or 2015 other than those disclosed in Note 7.

NOTE 21 - POST BALANCE SHEET EVENTS

In February 2017 the Company received repayment of £4,716,000 in respect of prior years claims for Research and Development tax credits. This is recorded in receivables at 31 December 2016.