

Company registration number 4361684

CENTRAL LABORATORY INNOVATION AND KNOWLEDGE TRANSFER LIMITED

ANNUAL REPORT

YEAR ENDING 31 MARCH 2005



CENTRAL LABORATORY INNOVATION AND KNOWLEDGE TRANSFER LIMITED
ANNUAL REPORT 2005

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CENTRAL LABORATORY INNOVATION AND KNOWLEDGE TRANSFER LIMITED

ANNUAL REPORT 2005

DIRECTORS

The Directors of the Company during the period 1 April 2004 to 31 March 2005 were as follows:

John Beacham
Andrew Rickman
Stuart Hopley
Richard Holdaway
Paul Durham
Colin Whitehouse (from 16 July 2004)
Tim Bestwick

None of the Directors holds any shares in the Company.

OFFICERS

Tim Bestwick, Chief Executive
Linda Baines, Company Secretary

AUDITORS

Critchleys
Greyfriars Court
Paradise Square
OXFORD
Oxfordshire OX1 1BB

At a meeting of the Board held on 6 June 2003, the Company passed Elective Resolutions to dispense with the

- holding of annual general meetings. (pursuant to s.366A of the Companies Act 1985);
- laying of accounts and reports before the Company in general meeting (pursuant to s.252 of the Companies Act 1985); and
- the obligation to appoint auditors annually (pursuant to s.386 of the Companies Act 1985).

REGISTERED OFFICE

Rutherford Appleton Laboratory
Chilton
DIDCOT
Oxfordshire OX11 0QX

BANKERS

Lloyds TSB plc
Market Place,
DIDCOT,
Oxfordshire OX11

SOLICITORS

Manches LLP
3 Worcester Street,
OXFORD,
OX1 1PZ

CENTRAL LABORATORY INNOVATION AND KNOWLEDGE TRANSFER LIMITED

ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2005

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDING 31 MARCH 2005

PRINCIPAL ACTIVITIES

1. The Directors present their Annual Report and the audited financial statements for the year ending 31 March 2005.
2. The principal activity of Central Laboratory Innovation and Knowledge Transfer Limited (CLIK Knowledge Transfer) is to manage and exploit the commercial application of intellectual property generated and owned by elements of the Council for the Central Laboratory of the Research Councils Group (CCLRC). This activity was maintained during this accounting period, and is considered unlikely to change in the foreseeable future.
3. The role of CLIK Knowledge Transfer is to support CCLRC by:
 - commercial exploitation of the CCLRC's IP through licence agreements and shareholder agreements with start-up companies, and sales of products and services;
 - managing all aspects of CCLRC's IP rights including registering, maintaining, protecting, building and defending its IP portfolio; and
 - providing commercial guidance on IP issues in the preparation of bids and tenders and in negotiations with customers, and approval of IP terms & conditions.
4. As the focus for CCLRC's exploitation of its intellectual assets, CLIK Knowledge Transfer provides access to the necessary resources, such as finance, management and business planning needed for commercialisation. All opportunities for licensing and the creation of spinout companies are pursued by CCLRC exclusively through CLIK Knowledge Transfer.

DIRECTORS AND OFFICERS

5. The following served as directors and officers of the Company during the year ending 31 March 2005 (except where noted).

Executive Directors

Tim Bestwick, Chief Executive

Non-executive Directors:

Stuart Hopley, Finance Director, CCLRC

Colin Whitehouse, Director, Daresbury Laboratory (from 16 July 2004)

Richard Holdaway, Director, Space Science and Technology, CCLRC

Paul Durham, Director, Computational Science and Engineering, CCLRC

John Beacham, Independent Consultant

Andrew Rickman, Chairman, Bookham Technology plc

Company Secretary – Linda Baines, Commercial Secretary, CCLRC

REVIEW OF THE BUSINESS

6. During 2004/2005, CLIK Knowledge Transfer has continued to establish and expand its exploitation of the intellectual property rights of the CCLRC. Its main activities are technology licensing, new company start-ups and sales of products and services. CLIK Knowledge Transfer is actively managing 31 potential commercial opportunities and 15 patent applications have been filed during 2004/2005
7. CLIK Knowledge Transfer has now successfully overseen the spin-out of 4 new companies, outlined below, in the fields of near patient testing for cholesterol, remote sensing of physical and chemical conditions in industrial, medical and defence markets, microviscometry for near-patient monitoring of blood condition and security screening. Funding has been raised from external sources for 4 of these ventures:
 - ThruVision is exploiting the unique properties of THz imaging for a range of applications, initially in security screening. In June 2004, ThruVision secured external investment and is looking to secure further funding. ThruVision currently employs some 16 staff and has recently moved to new premises at Milton Park, Abingdon.
 - Oxsensis is applying CCLRC technology for sensors in hostile environments such as jet engines and giant power transformers in the national grid. The company has demonstrated a temperature sensor operating at about 1200°C, which it believes to be the highest ever temperature for this kind of sensor. The company employs 4 staff and is currently raising a further round of venture capital finance.
 - L3T was established in 2003 to exploit CCLRC technology for use in near-patient, clinical testing of blood cholesterol. The technology has been demonstrated, improved and validated on patient samples, demonstrating accuracy better than other technologies.
 - Microvisk's technology is successfully being developed further through CCLRC.
8. Ares Research Technology Limited was established in 2004/2005 and began trading on 1 April 2005. CLIK Knowledge Transfer has licensed CCLRC technology to the company in exchange for royalties rather than shares.
9. CLIK Knowledge Transfer has established several trading divisions which will provide the channels for marketing and selling CCLRC technology.. These include Appleton Space Technology, the commercial arm of CCLRC's Space Science and Technology Department, Rutherford Optics, the commercial portal for CCLRC's Central Laser Facility, SuperClean which provides high performance component cleaning and DAComS, the commercialisation channel for CCLRC's Computational Science and Engineering Department.
10. In the last year, CLIK Knowledge Transfer has further developed its processes for identifying opportunities, protecting intellectual property, project prioritisation and progress management. The Visiting Entrepreneur Scheme has been developed further. This supplements and develops CLIK Knowledge Transfer's resources by involving external entrepreneurs in setting up spin-out companies. CLIK Knowledge Transfer has set up a proof of concept fund to develop and validate early stage technology in CCLRC with commercial potential, define the market and increase commercial value.
11. In the coming year, CLIK Knowledge Transfer expects to continue to build on its commercialisation success, developing prospects, protecting intellectual property, expanding its licensing and spin-out activities, and working with CCLRC to develop its commercialisation activities. Where appropriate, CLIK Knowledge Transfer will also continue to manage the existing portfolio of spin-out companies and further develop relations with investors.
12. The viability of CLIK Knowledge Transfer depends on the continued financial support from its sole shareholder, CCLRC. The Company has been advised by its parent that the cumulative loss incurred up to the end of 2004/5, and projected losses for CLIK Knowledge Transfer in subsequent years up to and including 2007/8, will be underwritten in full by CCLRC.

CORPORATE GOVERNANCE ARRANGEMENTS

13. As a wholly-owned subsidiary of CCLRC, CLIK Knowledge Transfer benefits from the overall control environment established by CCLRC, which is subject to review by both external (the National Audit Office) and internal (the Research Councils' Internal Audit Service) audit. Both of these bodies have independently provided a high level of assurance on internal controls throughout the Group. CLIK Knowledge Transfer has appointed Critchleys as its external auditors. CLIK Knowledge Transfer has further developed and strengthened its own governance arrangements through its Board by establishing its own Audit Committee, and a Remuneration Committee.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

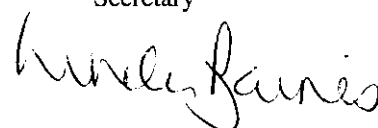
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' report and other information included in the annual report is prepared in accordance with Company Law in the United Kingdom.

BY ORDER OF THE BOARD

L Baines (Mrs)
Secretary

11th May 2005



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

CENTRAL LABORATORY INNOVATION AND KNOWLEDGE TRANSFER LIMITED

We have audited the financial statements of Central Laboratory Innovation and Knowledge Transfer Limited for the period to 31 March 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report, and for no other purpose. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom Law and Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Critchleys

Registered Auditors

Oxford, UK

11th May 2005

CENTRAL LABORATORY INNOVATION AND KNOWLEDGE TRANSFER LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 31 MARCH 2005

		2004-05 £	2004-05 £	2003-04 £	2003-04 £
	Notes				
Turnover	2		617,334		777,872
Expenditure					
Employment costs	3	316,050		282,561	
Other operating charges	4	608,766		642,476	
			<u>924,816</u>		<u>925,037</u>
Operating loss			<u>(307,482)</u>		<u>(147,165)</u>
Interest received			8,424		630
Loss on ordinary activities before taxation			<u>(299,058)</u>		<u>(146,535)</u>
Taxation	5		<u>0</u>		<u>0</u>
Loss for period	9		<u>(299,058)</u>		<u>(146,535)</u>
Retained loss brought forward	9		<u>(173,792)</u>		<u>(27,257)</u>
Retained loss carried forward	9		<u>(472,850)</u>		<u>(173,792)</u>

All activities are continuing

The notes on pages 10 to 15 form part of these accounts.

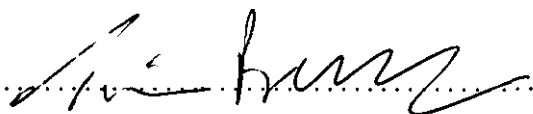
CENTRAL LABORATORY INNOVATION AND KNOWLEDGE TRANSFER LIMITED

BALANCE SHEET AS AT 31 MARCH 2005

		31 March 2005	31 March 2005	31 March 2004	31 March 2004
	Notes	£	£	£	£
Current assets					
Debtors	6	101,500		144,153	
Cash at bank and in hand	7	362,732		13,239	
		<u>464,232</u>		<u>157,392</u>	
Creditors : Falling due within one year	8	(311,674)		(33,994)	
Net Current Assets		<u>152,558</u>		<u>123,398</u>	
Total Assets less current liabilities			152,558		123,398
Creditors : Falling due after one year			(625,407)		(297,189)
Total Assets less total current liabilities			<u>(472,849)</u>		<u>(173,791)</u>
Capital and Reserves					
Called up share capital	10		1		1
Profit and loss account	9		(472,850)		(173,792)
Total equity shareholders funds	11		<u>(472,849)</u>		<u>(173,791)</u>

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

Approved by the Board on 11th May 2005.

Signed  11th May 2005
Director/Chief Executive

The notes on pages 10 to 15 form part of these accounts.

CENTRAL LABORATORY INNOVATION AND KNOWLEDGE TRANSFER LIMITED
ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2005

1.1 Notes to the Accounts

1. Accounting policies

1.1 Basis of accounting

The accounts have been prepared under the historical cost convention. The accounts meet the accounting and disclosure requirements of the Companies Act 1985 and the accounting and financial reporting standards issued or adopted by the Accounting Standards Board in so far as these requirements are appropriate.

1.2 Fixed Assets

Currently there are no fixed assets in the accounts as there were no purchases above the capitalisation threshold of £3,000. The shares CLIK Knowledge Transfer holds are all below this threshold, hence are not capitalised.

1.3 Value Added Tax

The Company is registered for VAT. Expenditure is stated net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading.

1.4 Foreign currency

Transactions denominated in foreign currency are translated at the rate of exchange ruling on the date of the transaction unless covered by a forward contract. Assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date.

1.5 Turnover

Turnover comprises income from external trading and public sector support and is credited to the Profit and Loss Account.

1.6 Going Concern

The financial statements have been prepared on the going concern basis notwithstanding the deficit in net assets, on the basis that the Company will continue to receive financial support from its parent entity, CCLRC.

2. Turnover

Turnover analysed by source is as follows:

	2004-05	2004-05	2003-04	2003-04
	£	£	£	£
External trading				
Rainbow Management fee	11,963		13,088	
Commercial Income	6,058		42,290	
		18,021		55,378
Public-sector support				
PSRE1 Capacity funding *	116,000		142,000	
Faraday Partnership *	119,727		280,494	
CCLRC Grant	326,090		300,000	
Services provided to CCLRC	7,904		0	
Proof of Concept Grant *	29,592		0	
		599,313		722,494
Total		617,334		777,872

* Funds provided by DTI

3. Employment Costs

	2005	2004
	£	£
Salaries and wages	264,290	240,715
Social security costs	26,190	20,372
Superannuation	25,570	21,474
Total	316,050	282,561

The Company has one employee, T Bestwick – Chief Executive.

Employment costs include a proportion of such costs of employees of CCLRC (the parent body) who worked for the Company during the accounting period.

4. Other operating charges include:

Directors' Emoluments

	2005	2004
	£	£
Directors' Emoluments	58,434	39,481
Total	<u>58,434</u>	<u>39,481</u>

Auditors Remuneration

	2005	2004
	£	£
Total	<u>3,000</u>	<u>3,000</u>

5. Taxation

There is no corporation tax charge for the year due to the availability of tax relief on losses to date.

6. Debtors and prepayments

Amounts falling due within one year	2005	2004
	£	£
Trade debtors	101,500	144,153
Total	<u>101,500</u>	<u>144,153</u>

7. Cash at Bank and in hand

	2005	2004
	£	£
Bank and Cash balances	362,732	13,239
	<u>362,732</u>	<u>13,239</u>

8. Creditors

Amounts falling due within one year	2005	2004
	£	£
Trade creditors	36,226	21,763
Other creditors	275,448	12,231
Total	<u>311,674</u>	<u>33,994</u>
Amounts falling due after one year		
Other creditors	625,407	297,189
	<u>625,407</u>	<u>297,189</u>

9. Profit and Loss Account

	2005	2004
	£	£
Balance at 31 March 2004	(173,792)	(27,257)
Loss for the year	(299,058)	(146,535)
Balance at 31 March 2005	<u>(472,850)</u>	<u>(173,792)</u>

10. Called Up Share Capital

	2005	2004
	£	£
Authorised:		
500,000 ordinary shares of £1 each	500,000	500,000

Called up, allotted and fully paid:

1 ordinary share of £1 each	1	1
The one ordinary share was issued at par to CCLRC.		

11. Reconciliation of movement of shareholders funds

	2005	2004
	£	£
Total shareholders funds brought forward	(173,791)	(27,256)
Shares issued in period	nil	nil
Loss for period	(299,058)	(146,535)
Total shareholders funds	<u>(472,849)</u>	<u>(173,791)</u>

12. Contingent liabilities

There are no material contingent liabilities which needed to be provided for in the financial statements.

13. Investments

CLIK Knowledge Transfer holds shares in four companies, Microvisk Limited, ThruVision Limited, L3 Technology Limited and Oxsensis Limited. Group accounts have not been produced as at 31 March 2005 for the CLIK group on the basis of a claim for exemption as a small group under section 248 and 249 of the Companies Act 1985.

Microvisk Limited (registration number 5035044)

CLIK Knowledge Transfer holds 10749 shares of £0.01 each in Microvisk Limited, in exchange for an intellectual property licence. This represents a 52.29% interest in Microvisk Limited.

Microvisk Limited is a company set up to work on the development of a working prototype fluid probe, conduct clinical studies and potentially licence to others for regulatory approval and sales marketing.

Microvisk has not commenced trading.

ThruVision Limited (registration number 4995276)

During the year, CLIK Knowledge Transfer acquired 21250 shares of £0.01 each in ThruVision Limited, in exchange for an intellectual property licence. This represents a 38.86% interest in ThruVision Limited.

ThruVision Limited is a company set up for exploiting the properties of THz for a range of applications, initially in security applications.

Other investments

CLIK Knowledge Transfer also holds minority shareholdings in the following companies all of whom have registered offices in England:

Name of Company	Registration Number	Percentage Shareholding
L3 Technology Limited	4242731	13.95
Oxsensis Limited	4894975	20.50

L3 Technology limited

CLIK Knowledge Transfer holds 40,000 shares in L3 Technology limited. In May 03 CLIK Knowledge Transfer paid £320 to acquire 32,000 shares and on 31 March 2004, they entered into an arrangement by which it acquired a further 8,000 shares in L3 Technology Limited, in exchange for an intellectual property licence.

Oxsensis Limited

CLIK Knowledge Transfer holds 243 shares in Oxsensis limited. In Feb 03 CLIK Knowledge Transfer acquired 24 shares of £1 each in Oxsensis Limited at nominal value. CLIK Knowledge Transfer also acquired a further 219 shares in Oxsensis Limited in exchange for an intellectual property licence. This shareholding is currently at nominal value since the licensed technology is still under development and has not been proven.

14. Related party transactions

CLIK Knowledge Transfer is a wholly owned subsidiary of the executive Non Departmental Public Body (NDPB), CCLRC. (CCLRC is sponsored by the Department of Trade and Industry (DTI). CCLRC is regarded as a related party. During the year CLIK Knowledge Transfer had various material transactions with CCLRC and DTI, as set out in note 2.)

As set out in note 13, CLIK Knowledge Transfer has investments in the shares of four spinout companies. In accordance with one of its principal objectives, during the year, CLIK Knowledge Transfer has provided advice and support services to L3 Technology Limited amounting to £577, ThruVision £5,418 and Oxsensis £178. No other charges have been made for services provided to spinout companies.

The Rainbow Seed Fund is a limited partnership comprising four core partners and two associate partners; CCLRC is one of the core partners. Throughout the year, CLIK Knowledge Transfer continued to provide secretarial services to the Rainbow Seed Fund, in accordance with the agreement signed on 27 September 2001. Fees charged to the Rainbow Seed Fund for these services are set out in note 2.

In accordance with the exemption conferred by FRS 8, the Company has not disclosed transactions with other group undertakings whose results are included in the consolidated accounts of CCLRC.

15. Post balance sheet events

There have been no events since the end of the financial year that would affect the understanding of the accounts.