

**Central Laboratory Innovation and Knowledge  
Transfer Limited**

Financial statements

For the year ended 31 March 2006

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**Company No. 4361684**

## Officers and professional advisers

<b>Company registration number</b>	4361684
<b>Registered office</b>	Rutherford Appleton Laboratory Chilton DIDCOT OX11 0QX
<b>Directors</b>	A G Rickman J Beacham T Bestwick C R Whitehouse P Greenish P J Durham R Holdaway S J Hopley
<b>Secretary</b>	L Baines
<b>Bankers</b>	Lloyds TSB Bank Plc Market Place DIDCOT Oxfordshire OX11
<b>Solicitors</b>	Manches LLP 9400 Garsington Road Oxford Business Park OXFORD OX4 2HN
<b>Auditor</b>	Critchleys Chartered Accountants Registered Auditors Greyfriars Court Paradise Square OXFORD OX1 1BE

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2006.

### Principal activities and business review

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.

The role of CLIK Knowledge Transfer is to support CCLRC by:

- commercial exploitation of the CCLRC's Intellectual Property (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.

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.

During 2005/2006, 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, 60 live patent families and 10 new patent applications have been filed during 2005/2006.

CLIK Knowledge Transfer has now successfully overseen the spin-out of six 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 four of these ventures:

- ThruVision is exploiting the unique properties of THz imaging for a range of applications, initially in security screening. In June 2005, ThruVision secured additional external investment. ThruVision currently employs some 30 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 four staff and is currently raising a further round of venture capital finance.
- L3 Technology Limited (L3T) has successfully raised in excess of £700K, recruited an industry experienced CEO (Dr Tony Nicholls) and relocated to Merseybio, a bioscience business incubator in Liverpool University. The Merseybio facility comprises a fully equipped biochemical lab and three clinical scientists are employed full time.

- Microvisk has recruited John Curtis as CEO. John is an experienced medical diagnostics professional and he has successfully completed funding on over £300K. Microvisk too has relocated to Merseybio and is in the process of recruiting engineering staff to develop its microsensors for use in blood clotting measurement.
- PETRRA Limited secured external funding in December 2005 and has appointed John Heinrich as CEO. PETRRA is developing and exploiting next-generation gamma ray detector (camera) for PET scanners. PET scanners are used in diagnostic medical imaging, particularly in oncology. Positron Emission Tomography ("PET") records the two opposite gamma rays which are emitted upon the fission of a fluorine isotope, which typically aggregate in cancer tumours.
- Orbital Optics Limited (OOL) will deliver high resolution remote cameras for use in space and elsewhere. The principal market is in low-cost satellite imagery where a solution can be delivered for 1/10th of competitive products.
- 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. Ares ceased trading on 31 October 2005.

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. DACoMS is now officially launched and has won its first major contract (worth >£300k over 3 years) and the marketing programme is reaching out to over thirty major research invested companies during 2006.

In the last year, CLIK Knowledge Transfer has further developed its processes for identifying opportunities, protecting intellectual property, project prioritisation and progress management. CLIK Knowledge Transfer set up a proof of concept fund last year to develop and validate early stage technology in CCLRC with commercial potential, define the market and increase commercial value. There have been 22 Applications, which include 10 new applications this year.

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.

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 2005/6, and projected losses for CLIK Knowledge Transfer in subsequent years up to and including 2007/8, will be underwritten in full by CCLRC.

### **Directors**

The directors who served the company during the year were as follows:

A G Rickman  
J Beacham  
T Bestwick  
C R Whitehouse  
P Greenish  
P J Durham  
R Holdaway  
S J Hopley

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

P Greenish was appointed as a director on 14 September 2005.

### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom 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
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

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

### **Auditor**

Having offered themselves for reappointment as auditors Critchleys shall be deemed to be reappointed for the next financial year, in accordance with section 386 of the Companies Act 1985.

### **Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

BY ORDER OF THE BOARD

*Lynelle Baines*

L Baines  
Secretary

Date:

*22 May 2006*

## **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 year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Directors and 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
CENTRAL LABORATORY INNOVATION AND KNOWLEDGE TRANSFER LIMITED  
(CONTINUED)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information in the directors' report is consistent with the financial statements.



Critchleys  
Chartered Accountants  
Registered Auditors

Oxford

22 May 2006



## Accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The directors consider it appropriate to prepare the financial statements on a going concern basis given the continued financial support of the ultimate parent undertaking, CCLRC.

The principal accounting policies have remained unchanged from the previous year and are set out below.

### **Consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

### **Turnover**

Turnover is the total amount receivable by the company for external trading and public sector support, excluding VAT and trade discounts.

Income from the proof of concept grant is recognised when the project finishes and can be matched against expenses incurred in line with Statement of Standard Accounting Practice 4.

### **Investments**

Investments are included at cost subject to an annual impairment review. Investments are deemed to be valued at par and are written down immediately until the impairment is reversed once cumulative profits are foreseen in the investment.

### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

## **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

## Profit and loss account

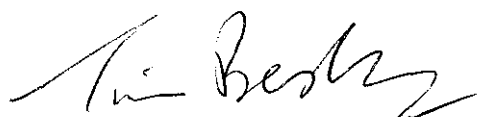
	Note	2006 £	2005 £
Turnover	1	711,043	617,334
Other operating charges		1,061,350	924,816
<b>Operating loss</b>	2	<b>(350,307)</b>	<b>(307,482)</b>
Interest receivable		12,856	8,424
<b>Loss on ordinary activities before taxation</b>		<b>(337,451)</b>	<b>(299,058)</b>
Tax on loss on ordinary activities	3	—	—
<b>Loss for the financial year</b>		<b>(337,451)</b>	<b>(299,058)</b>
Balance brought forward		(472,850)	(173,792)
Balance carried forward		<u>(810,301)</u>	<u>(472,850)</u>

## Balance sheet

	Note	2006 £	2005 £
<b>Fixed assets</b>			
Investments	4	—	—
<b>Current assets</b>			
Debtors	5	94,983	101,500
Cash at bank		384,288	362,732
		<u>479,271</u>	<u>464,232</u>
<b>Creditors: amounts falling due within one year</b>	6	<u>1,289,571</u>	<u>937,081</u>
<b>Net current liabilities</b>		<u>(810,300)</u>	<u>(472,849)</u>
<b>Total assets less current liabilities</b>		<u>(810,300)</u>	<u>(472,849)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	10	1	1
Profit and loss account		<u>(810,301)</u>	<u>(472,850)</u>
<b>Deficit</b>		<u>(810,300)</u>	<u>(472,849)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved by the directors on 22 May 06 and are signed on their behalf by:



T Bestwick  
Director

## Notes to the financial statements

### 1 Turnover

	2006 £	2005 £
<b>External Trading</b>		
Commercial income	88,714	6,058
Royalties	1,297	-
Rainbow management fee	9,834	11,963
Rainbow seed funding	22,247	-
Licence income	2,596	-
	<u>124,688</u>	<u>18,021</u>
<b>Public Sector Support</b>		
PSRE Grant - capacity building	150,000	116,000
Faraday partnership	-	119,727
Grant from CCLRC	323,297	326,090
Proof of concept grant - PRSE	108,588	29,592
Services to CCLRC	4,470	7,904
	<u>586,355</u>	<u>599,313</u>
	<u>711,043</u>	<u>617,334</u>

### 2 Operating loss

Operating loss is stated after charging:

	2006 £	2005 £
Directors' emoluments	62,478	52,430
Auditor's fees	3,300	3,000
Under accrual of audit fees in the prior year including irrecoverable VAT	701	-
Impairment of investments	2,596	-
	<u>71,075</u>	<u>58,430</u>

### 3 Taxation on ordinary activities

There is no tax charge in the current year since unrelieved tax losses remain available to offset against future trading profits.

**4 Investments**

	Total £
Cost	
Additions	2,596
At 31 March 2006	<u>2,596</u>
Amounts written off	
Written off in year	2,596
At 31 March 2006	<u>2,596</u>
Net book value	
At 31 March 2006	-
At 31 March 2005	-

At 31 March 2006 the company held the following undertakings:

	Country of incorporation	Class of share held	Proportion held	Aggregate of capital and reserves £	(Loss) for the year £
Oxsensis Limited	England	Ordinary	10%	657,026	(281,118)
L3 Technology Limited	England	Ordinary	14%	472,631	(166,393)
Microvisk Limited	England	Ordinary	23%	(61,696)	(61,902)
ThruVision Limited	England	Ordinary	10%	282,000	(461,000)
Petrra Limited	England	Ordinary	30%	59,528	(40,472)
Orbital Optics Limited	England	Ordinary	62%	-	-

Aggregate of capital and reserves and loss for the year are derived from the unaudited management accounts of the individual companies.

**5 Debtors**

	2006 £	2005 £
Trade debtors	65,527	42,119
Other debtors	29,456	59,381
	<u>94,983</u>	<u>101,500</u>

**6 Creditors: amounts falling due within one year**

	2006 £	2005 £
Other creditors	1,289,751	937,081

**7 Contingent liabilities**

There were no contingent liabilities at 31 March 2006 or at 31 March 2005.

## 8 Capital commitments

The company had no capital commitments at 31 March 2006 or at 31 March 2005.

## 9 Related party transactions

Central Laboratory Innovation and Knowledge Transfer Limited received £323,297 (2005: £326,090) in grants from the Council for the Central Laboratory of the Research Councils Group, the ultimate parent undertaking, during the year. It also made sales for services provided to the Council for the Central Laboratory of the Research Councils Group amounting to £4,470 (2005: £7,904).

Central Laboratory Innovation and Knowledge Transfer Limited also recharged patent costs of £47,486 (2005: £577), £3,031 (2005: £178), £9,819 (2005: £5,418) to L3 Technology Limited, Oxsensis Limited and ThruVision Limited respectively, in all of which Central Laboratory Innovation and Knowledge Transfer Limited holds an investment. At the year end L3 Technology Limited owed £55,796 to Central Laboratory Innovation and Knowledge Transfer Limited in respect of patent costs.

At the year end £1,091,461 (2005: £625,407) remained due from Central Laboratory Innovation and Knowledge Transfer Limited to the Council for the Central Laboratory of the Research Councils Group.

## 10 Share capital

Authorised share capital:

	2006 £	2005 £
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

## 11 Ultimate parent company

The ultimate parent undertaking is the Council for the Central Laboratory of the Research Councils Group (CCLRC) by way of its 100% shareholding in the company.