



CustomVis plc

ANNUAL REPORT AND  
FINANCIAL STATEMENTS 2003

# Our Vision

The CustomVis™ System is the vision of Dr Paul van Saarloos who designed a composite system to meet the surgical requirements of customised surgery. The Directors believe that the CustomVis™ System offers a unique and innovative opportunity to customise both standard and non-standard vision disorders.



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# Operating & Financial Review

## Introduction

*The business was set up in March 2001 to address a number of problems being experienced in the field of laser vision correction(LVC) The CustomVis system has been developed to address the technical limitations of current LVC technology. The CustomVis technology will be subject to clinical trials over the coming year with sales expected to occur during this period.*

## Operating Review

On 17 April 2003 the Company acquired 100% of the share capital of CLVR Pty. Ltd. (CLVR). CLVR is an Australian Company which works in the same field as CustomVis. CLVR has undertaken all of the work to date on the development phase of the laser technology.

During the period ended 30 June 2003, there has been very limited income, with only £2,848 of sales income generated since acquisition, and £23,818 of Government Grants received. The reason for the very limited income figures is due solely to the development phase of the technology. This phase is essential to allow the technology to obtain a saleable standard prior to reaching the clinical trials and the wider market place.

Based on projections and cash flows produced for the purpose of the AIM listing, it is envisaged that income will start to increase over the coming year and indeed will reach around £2.5 million by June 2004, and profitability is expected in the year to June 2005. More detail can be obtained from the Company prospectus.

To date the limited number of trials which have taken place have produced outstanding results. Arrangements are currently being finalised to conduct further more extensive trials and the production of the first three lasers for commercial sale is now well advanced.

Protocols are currently being agreed to commence trials under Food and Drug Administration Regulations (FDA). Eventual FDA approval is necessary before sales of the lasers can be made in the United States.

The Group continues to enjoy the services of all key personnel who have been involved since the beginning of the project and formation of the Company. Since the accounting year end further senior members of staff have been added in key positions to improve and enhance upon the ongoing performance.

The directors believe from their knowledge of the international LVC market that the CustomVis laser will be a significant step change in technology from existing lasers in use and that it will be the first to commercialise this new generation of laser.

The directors have significant life cover policies in place for the CEO and Managing Director of the Company as a protective measure for the first five years following flotation. The directors are also taking all possible actions to ensure the protection of patents for the new generation of technology and are structuring and controlling the Group to ensure all major risks are covered as far as possible by insurance and that sufficient expertise is in place and training is conducted in the business to cover as many contingencies as possible.

## Financial Review

At 30 June 2003 the Company had issued almost 21 million Ordinary Shares of 5p each and had received a premium of £546,078 on these Shares. In addition the Company had received a convertible loan in the amount of £1,342,844. This loan bore no interest and is convertible within one year from flotation into 2,165,877 Ordinary Shares of 5p each.

During the period the Group made a loss after tax of £660,238. This equated to a loss of 7.6p per share.

The Group's balance sheet showed net assets of almost £1 million. This included intangible assets of £1.56 million, and liabilities of £1.77 million. The main component of these liabilities was the convertible loan referred to earlier, details of this loan can be seen in note 12. The cash funds held at 30 June 2003 were £773,458.

The accounting policies adopted in the preparation of these accounts are shown on pages 14 & 15.

On 8 July 2003, 12,637,363 Ordinary Shares of 5p each were issued on the Alternative Investment Market at an issue price of 91p per share. This raised a total of £11.5million for the Company before issue costs.



# Company Information

## Directors

### **Executive Directors**

Paul Van Saarloos  
Simon Gordon  
William Ardrey  
Hugh Grant

### **Non-Executive Directors**

William Colvin  
Emanuel Rosen

## Secretary

Hugh Grant

## Company number

04609602

## Registered office

7 Devonshire Square  
Cutlers Gardens  
London  
EC2M 4YH

## Auditors

PKF  
78 Carlton Place  
Glasgow  
G5 9TH

## Bankers

Clydesdale Bank Plc  
West End Branch  
158 Nethergate  
Dundee  
DD1 4DY

## Solicitors

Hammonds  
7 Devonshire Square  
Cutlers Gardens  
London  
EC2M 4YH

## Nominated Advisors and Brokers

Collins Stewart  
9th Floor  
88 Wood Street  
London  
EC2V 7QR

# Directors and Officers

## Directors

### Non Executive Directors

At 30 June 2003 no non-executive directors had been appointed. On 2 July 2003 two non-executive directors were appointed.

**William Colvin** (Non-executive Chairman), aged 45, is currently Chief Executive of NHP plc, a quoted nursing home owner and operator, whose market capitalisation has significantly increased since he was appointed Chief Executive in November 2000. He is also currently a non-executive director of Sondex plc, a technology company in the oil and gas sector to the upstream oil and gas industry. Mr Colvin is a Chartered Accountant.

**Emanuel Rosen** (Non-executive Director), aged 67, is currently the medical director of Boots Opticians Eye Laser Service. He is also a past president of the International Implant Club, The European Society of Cataract and Refractive Surgeons and the UK and Ireland Society of Cataract and Refractive Surgeons. Mr Rosen has over 35 years of experience in the medical field and is also the author and editor of a number of publications, including being co-editor of the major international peer review in the field, The Journal of Cataract and Refractive Surgery.

### Executive Directors

The following executive directors were appointed during the period to 30 June 2003.

**Dr Paul van Saarloos** (Chief Executive Officer), aged 41, has significant experience managing medical technology companies and creating patented, commercially successful products in the field of refractive surgery. He holds over 100 patents, has co-authored over 30 published scientific papers in the area of ophthalmic technology, and has developed, patented and commercialised numerous technologies (e.g. Zeiss Humphrey Atlas topographer; Dishler laser; Q-Vis laser).

Dr. Paul van Saarloos previously served as managing director of Q-Vis, as a researcher at the Lions Eye Institute, and as a laser physicist for numerous medical technology companies involved in ophthalmology. In addition to his position as C.E.O., he also performs the role of Chief Scientist and Research and Development manager on the CLVR Operations Board.

**Simon Gordon** (Managing Director), aged 49, has extensive skill in commercialising and marketing refractive lasers, with experience in sales, marketing and product development at such firms as Lasersight, Q-Vis and Autonomous Inc. He has extensive experience managing medical companies. Mr Gordon also acts in the capacity of chief operating officer for CustomVis, as well as managing the European business of the Group.

**Hugh Grant** (Finance Director), aged 45, is a Chartered Accountant and has been a partner in professional practice since 1991 with the accountancy firm Findlay & Company. He has experience on regulatory and corporate finance matters, including advising in the medical healthcare sector. He is an accredited expert witness with the Law Society of Scotland and sits on the Committee for Authorisation of Student Training Offices of the Institute of Chartered Accountants of Scotland, having previously sat on the Committee for Student Education.

**Dr William Ardrey** (Executive Director), aged 37, has served as president, CEO, CFO, and marketing director of a number of companies in the medical and technology fields. He has led 5 technology companies from start up to trade sales, and served as a president at Thomson Financial Services, a US\$2 billion publicly listed financial information provider. Dr William Ardrey is also a widely published author on marketing and strategy, and a frequent visiting professor at such universities as Columbia University, George Washington University, University of Adelaide and University of Western Australia. He also serves on the CLVR Operating Board.

The directors submit their report and the financial statement for the period ended 30 June 2003.

## Principal activity

The principal activity of the Group is the manufacture and sale of laser optical equipment for use within the laser vision correction industry.

## Review of the Business

The Company was incorporated on 5 December 2002 and has not made any sales during the period. On 17 April 2003 it acquired the whole of the issued share capital of CLVR Pty. Ltd, a Company registered in Australia, by way of a share exchange, as a consequence of which CLVR Pty. Ltd. became a wholly owned subsidiary of the Company. The Company floated on the Alternative Investment Market on 8 July 2003. Further details are included in the Operating and Financial Review on page 2.

## Going Concern

Having considered the guidance given in the document Going Concern and Financial Reporting: Guidance for Directors of Listed Companies issued in November 1994 by the Going Concern Working Group, the directors have formed a judgement that at the time of approving these financial statements there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore to adopt the going concern basis for the financial statements.

## Future developments

Over the coming twelve months the Group will start to produce lasers for visual correction for commercial sale and will undertake further clinical trials on the lasers. The Company will also further the development of ancillary services and products which are complementary to the laser eye surgery products and beneficial to the patients undergoing treatment.

## Research and Development Expenditure

During the financial period ended 30 June 2003 the Group has undertaken Research & Development work wholly in terms of developing and improving the lasers for use in corrective eye surgery. As noted above over the coming year the development phase is likely to move away from solely developing laser technology, and will start to include the development of additional services and products.

## Results and dividends

The Group's results for the period are set out on page 10.

The directors do not recommend payment of a final dividend.

## Post balance sheet events

On 1 July 2003 options were exercised by Gem Consulting Pty. Ltd. The options were on 1,120,000 Ordinary Shares of 5p each at an exercise price of 62p each.

The Company was floated on the Alternative Investment Market on 8 July 2003. At this point 12,637,363 Ordinary Shares of 5p each were issued. The flotation price was 91p per share.

## Payment of creditors

It is the policy of the Company and the Group to settle creditors accounts within the terms agreed with individual suppliers at the inception of a contract or order being made.

The creditors days for the Group for the period ended 30 June 2003 has not been calculated as the level of activity during the period was minimal.

## Directors and their interests

The directors who served during the period and their interests in the Company at the balance sheet date and at the start of the period (or date of appointment if later) are as stated below:

	<b>Ordinary Shares of 5p each 30/06/03</b>	Incorporation or date of appointment
HSE Directors Limited (appointed 5/12/02 / resigned 18/12/02)	-	-
Paul Van Saarloos (appointed 18/12/02)	13,303,500	-
Simon Gordon (appointed 18/12/02)	210,020	20
William Ardrey (appointed 18/12/02)	4,288,718	-
Hugh Grant (appointed 01/02/03)	20	20
Jeremy Brooks (appointed 22/04/03 / resigned 20/06/03)	-	-

Dr Paul Van Saarloos' shareholding includes 4,434,500 ordinary shares owned by his wife, and 4,434,500 ordinary shares held by him as a trustee for the van Saarloos family trust.

Dr William Ardrey's shareholding includes a non-beneficial interest in 4,288,718 shares as the appointed board nominee of two shareholders, Custom Lasers Inc. and Asian Lasers Inc.

Simon Gordon's shareholding includes 210,000 ordinary shares held by Novamed Limited, a company under his control.

William Colvin and Emanuel Rosen were appointed as non-executive directors on 2 July 2003.

### Directors Options

In addition to the above shareholding certain of the directors who served during the period also have the following share options over ordinary shares of 5p each:

	<b>Date of Grant</b>	<b>Number of Option Shares</b>	<b>Exercise Price (£)</b>
Simon Gordon	14 January 2003	1,007,321	0.05
William Ardrey	20 June 2003	350,000	0.62
Hugh Grant	20 June 2003	70,000	0.62

The above options are exercisable within ten years of them being granted. The directors are however subject to lock in agreements preventing them from selling any shares prior to the earlier of twenty four months from date of flotation or Company profitability. Details of these options are given in note 26 to the financial statements.

### Statement by the Directors on Compliance with the Code of Best Practice

The directors report that as of 30 June 2003 the Company did not comply with Combined Code on Corporate Governance. At the reference date no non-executive directors had been appointed. The non-executive directors were appointed on 2 July 2003.

The Company intends to comply, as soon as practicable and so far as possible given the Group's size and the constitution of the Board, with the Combined Code.

The audit committee has now been appointed and consists of William Colvin and Emanuel Rosen although the finance director will normally attend as an invitee. It will meet twice a year and be responsible for ensuring that the financial performance of the Group is properly reported on and monitored. It will also meet the auditors and review their reports relating to the accounts and internal control systems.

Similarly, the remuneration committee has been appointed and consists of William Colvin and Emanuel Rosen although the Chief Executive Officer will normally attend as an invitee (except when his own remuneration is being considered). It will make recommendations to the Directors of the Company on matters relating to the remuneration and terms of employment of the existing and proposed Executive Directors of the Company and on proposals for the granting of share options pursuant to any share option scheme in operation from time to time.

# Report of the Directors Continued

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the Company and the Group and of the loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the Group and to enable them to ensure that the financial statements comply with the

Companies Act 1985. It is also the responsibility of the directors to ensure that the annual report includes the information required by the AIM rules. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the Report of the Directors and other information included in the annual report is prepared in accordance with Company law in the United Kingdom.

## **Auditors**

PKF were appointed auditors to the Company by the directors and in accordance with Section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

This report was approved by the Board on 10 October 2003 and signed on its behalf by

**Hugh Grant**  
**Secretary**

# Independent Auditors' Report to the Members of CustomVis plc

We have audited the financial statements of CustomVis Plc for the period ended 30 June 2003 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement 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 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 auditor's 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**

The directors' responsibilities for the preparation of the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 Report of the Directors 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 and other members of the Group are not disclosed.

We read the other information contained in the Annual Report and considered whether it is consistent with the audited financial statements. This other information comprises only the Operating and Financial Review and the Report of the Directors. We consider the implications for our Report if we become aware of any apparent misstatement or material inconsistencies within the financial statements.

## **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 and Group'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 Group's and the Company's affairs as at 30 June 2003 and of the Group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**PKF**  
**Registered auditors**  
**Glasgow, UK.**

13 October 2003

# Group Profit and Loss Account

for the period ended 30 June 2003

	Notes	£	£
<b>Turnover and Gross profit</b>	2		
Continuing operations		-	
Acquisitions		<u>2,848</u>	2,848
<b>Administrative expenses</b>			
Continuing operations		23,365	
Acquisitions		<u>668,678</u>	(692,043)
<b>Other operating income</b>			
Continuing operations		-	
Acquisitions		<u>23,818</u>	<u>23,818</u>
<b>Operating loss</b>	3		
Continuing operations		(23,365)	
Acquisitions		<u>(642,012)</u>	(665,377)
Interest receivable and similar income	4		<u>7,768</u>
<b>Loss on ordinary activities before taxation</b>			(657,609)
Tax on loss on ordinary activities	6		<u>(2,629)</u>
<b>Loss on ordinary activities after taxation transferred to reserves</b>			<u>(660,238)</u>
Loss per Ordinary Share			
Basic	7		(7.6p)
Diluted	7		(7.6p)

There are no significant recognised gains or losses other than the loss for the financial period.

**The notes on pages 14 to 24 form an integral part of these financial statements.**

# Group Balance Sheet

as at 30 June 2003

	Notes	30/06/03	
		£	£
<b>Fixed assets</b>			
Intangible assets	8		1,565,278
Tangible assets	9		<u>100,033</u>
			1,665,311
<b>Current assets</b>			
Debtors	11	286,545	
Cash at bank and in hand		<u>773,458</u>	
		1,060,003	
<b>Creditors: amounts falling due within one year</b>	12	<u>(429,236)</u>	
<b>Net current assets</b>			<u>630,767</u>
<b>Net assets less current liabilities</b>			2,296,078
<b>Creditors: amounts falling due after more than one year (Including convertible debt)</b>	12		(1,342,844)
<b>Net assets</b>			<u>953,234</u>
<b>Capital and reserves</b>			
Called up share capital	13		1,048,090
Share premium account	14		546,078
Foreign currency translation reserve	14		19,304
Profit and loss account	14		(660,238)
<b>Equity Shareholders' funds</b>	15		<u>953,234</u>

The financial statements were approved by the Board on 10 October 2003 and signed on its behalf by

**Paul Van Saarloos**  
Director

The notes on pages 14 to 24 form an integral part of these financial statements.



# Company Balance Sheet

as at 30 June 2003

	Notes	30/06/03	
		£	£
<b>Fixed assets</b>			
Investments	10		1,000,316
<b>Current assets</b>			
Debtors	11	1,157,124	
Cash at bank and in hand		<u>764,001</u>	
		1,921,125	
<b>Creditors: amounts falling due within one year</b>	12	<u>(5,000)</u>	
<b>Net current assets</b>			<u>1,916,125</u>
<b>Net assets less current liabilities</b>			2,916,441
<b>Creditors: amounts falling due after more than one year (Including convertible debt)</b>	12		(1,342,844)
<b>Net assets</b>			<u>1,573,597</u>
<b>Capital and reserves</b>			
Called up share capital	13		1,048,090
Share premium account	14		546,078
Profit and loss account	14		<u>(20,571)</u>
<b>Equity Shareholders' funds</b>	15		<u>1,573,597</u>

The financial statements were approved by the Board on 10 October 2003 and signed on its behalf by

**Paul Van Saarloos**  
Director

The notes on pages 14 to 24 form an integral part of these financial statements.

# Group Cash Flow Statement

for the period ended 30 June 2003

	Notes	Period ended 30/06/03 £
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>		
Operating loss		(665,377)
Depreciation and amortisation		105,537
(Increase) in debtors		(252,036)
Increase in creditors		166,799
<b>Net cash outflow from operating activities</b>		<u>(645,077)</u>
<b>Cash flow statement</b>		
Net cash outflow from operating activities		(645,077)
Returns on investments and servicing of finance	23	7,768
Taxation	23	(2,629)
Capital expenditure	23	(70,743)
Acquisitions and disposals	23	<u>122,243</u>
		(588,438)
Financing	23	<u>1,361,896</u>
<b>Increase in cash in the period</b>		<u>773,458</u>
<b>Reconciliation of net cash flow to movement in net debt (Note 24)</b>		
<b>Increase in cash in the period</b>		773,458
Cash inflow from issue of loan notes		(1,342,844)
<b>Net debt at 30 June 2003</b>		<u>(569,386)</u>

# Notes to the Financial Statements

for the period ended 30 June 2003

## 1. Accounting policies

### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The Group has consistently applied all relevant accounting standards.

### 1.2 Basis of Consolidation

The Group financial statements consolidate the financial statements of CustomVis plc and its subsidiary undertaking up to 30 June 2003. No profit and loss account is presented for CustomVis plc as permitted by section 230 of the Companies Act 1985.

CLVR Pty. Ltd has been included in the Group financial statements using the acquisition method of accounting. Accordingly, the Group profit and loss account and cash flow statement include the results and cash flows of CLVR Pty. Ltd. for the period from 17 April 2003, when the Company was purchased and became part of the Group.

The loss incurred by the parent company for the period ended 30 June 2003 was £20,571.

### 1.3 Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the period.

### 1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 5 years.

### 1.5 Patents

Patents are valued at cost less accumulated amortisation.

Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life of 2 years.

### 1.6 Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

### 1.7 Research and development

Research expenditure is written off to the profit and loss account in the period in which it is incurred.

### 1.8 Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Plant and machinery	-	18.75 to 100% reducing balance
Fixtures, fittings and equipment	-	15 to 50% reducing balance
Leasehold Improvements	-	15% reducing balance

## 1.9 Investments

Fixed asset investments are stated at cost and where necessary reviewed for impairment.

## 1.10 Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

## 1.11 Capital instruments

Shares are included in shareholders' funds. Other instruments are included as liabilities if they contain an obligation to transfer economic benefits and if not they are included within shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

## 1.12 Foreign currencies

### Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All differences are taken to the profit and loss account as they occur.

### Group

The balance sheet of the overseas subsidiary undertaking is translated at the rate of exchange ruling at the balance sheet date, and the profit and loss account is translated at an average rate. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account in the period in which they arise.

## 1.13 Deferred taxation

The charge for taxation is based on the results for the period as adjusted for tax purposes. In accordance with FRS 19; Deferred taxation full provision is made for taxation deferred in respect of timing differences, except where the standard states that the provision should not be made. Deferred tax assets are not provided for where it is not certain that future profits will be sufficient to allow these balances to reverse. Deferred tax balances are not discounted.

## 2. Turnover

During the past financial period the Group has not made any sales in the UK. All of the Group's income occurred in Australia.

# Notes to the Financial Statements continued

for the period ended 30 June 2003

## 3. Operating loss

	Period ended 30/06/03 £
Operating loss is stated after charging:	
Depreciation and other amounts written off intangible assets	88,164
Depreciation and other amounts written off tangible assets	17,373
Operating lease payments - land & buildings	7,760
Research and development - expenditure in current period	44,838
Auditors' remuneration - Audit work	
- Group	14,110
- Company	5,000
- Other services	<u>10,863</u>
and after crediting:	
Government grants	<u>(23,818)</u>

## 4. Interest receivable and similar income

	Period ended 30/06/03 £
Bank interest	<u>7,768</u>

## 5. Employees

	Period ended 30/06/03 Number
<b>Number of employees</b>	
The average monthly numbers of employees (including the directors) during the period were:	
Directors	4
Administration	3
Electronics	4
Mechanical	5
Research	2
Service	<u>1</u>
	<u>24</u>

The average number of employees shown above is the average monthly number of employees over the last three months of the accounting period since the purchase of the subsidiary. The majority of employees are employed by the subsidiary company in Australia.

## 5. Employees continued

### Employment costs

	Period ended 0/06/03 £
Wages and salaries	160,832
Social security costs	1,084
Pensions	11,304
	<u>173,220</u>

### 5.1 Directors' emoluments

	Period ended 30/06/03 £
Remuneration and other emoluments	44,757
Pension contributions	2,250
	<u>47,007</u>

	Number
Number of directors to whom retirement benefits are accruing under a defined contribution scheme	<u>2</u>

Certain of the directors had share options at 30 June 2003 as disclosed in the Report of the Directors. These options were issued during the financial period ended 30 June 2003. None of these options have been exercised at the balance sheet date, and accordingly no gains were made on these in the period to 30 June 2003.

## 6. Tax on loss on ordinary activities - Group

	Period ended 30/06/03 £
<b>Analysis of charge in period</b>	
<b>Current tax</b>	
Overseas taxation	<u>2,629</u>

### Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The reason for the difference is explained below. Interest was taxed under Australian legislation at a rate of 48.5%.

Loss on ordinary activities before tax	<u>(657,609)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(197,283)
Permanent timing differences	1,754
Losses not utilised	195,529
Overseas taxation (Australian withholding tax)	2,629
	<u>2,629</u>

# Notes to the Financial Statements continued

for the period ended 30 June 2003

## 6. Tax on loss on ordinary activities continued

### Deferred Taxation

The Group has losses carried forward which give rise to a deferred taxation asset of approximately £470,000. This balance has not been incorporated into the financial statements as it is not certain at the balance sheet date that profits will be sufficient to allow this balance to reverse.

## 7. Loss per Share

Loss for the period attributable to shareholders	(660,238)
Weighted average number of shares in issue	8,666,563

The weighted average number of shares in issue was calculated from the date of incorporation (5 December 2002) until 30 June 2003. There were only 2 Ordinary Shares of £1 in issue from incorporation up to 17 April 2003. The weighted average calculation has taken account of the reclassification on 17 April 2003 of the 2 Ordinary Shares of £1 each to 40 Ordinary Shares of 5p each.

Diluted loss per share has been calculated using the same figures as the basic calculation. No account has been taken of options, as these potential Ordinary Shares are not considered to be dilutive under the definitions of the applicable accounting standards.

## 8. Intangible fixed assets - Group

	Patents £	Goodwill £	Total £
<b>Cost</b>			
Additions	23,228	1,630,214	1,653,442
At 30 June 2003	<u>23,228</u>	<u>1,630,214</u>	<u>1,653,442</u>
<b>Amortisation</b>			
Charge for period	981	87,183	88,164
At 30 June 2003	<u>981</u>	<u>87,183</u>	<u>88,164</u>
<b>Net book value</b>			
At 30 June 2003	<u>22,247</u>	<u>1,543,031</u>	<u>1,565,278</u>

All intangible assets relate solely to the Group and not to the Company. The patents are owned by the subsidiary Company and goodwill is created upon consolidation.

## 9. Tangible fixed assets - Group

	Plant and machinery £	Fixtures fittings and equipment £	Leasehold improvements £	Total £
<b>Cost</b>				
Additions	96,887	18,940	1,579	117,406
At 30 June 2003	<u>96,887</u>	<u>18,940</u>	<u>1,579</u>	<u>117,406</u>
<b>Depreciation</b>				
Charge for the period	15,467	1,834	72	17,373
At 30 June 2003	<u>15,467</u>	<u>1,834</u>	<u>72</u>	<u>17,373</u>
<b>Net book value</b>				
At 30 June 2003	<u>81,420</u>	<u>17,106</u>	<u>1,507</u>	<u>100,033</u>

The tangible assets all belong to the Group as a whole. They are held by the subsidiary Company in Australia. The Company did not hold any fixed assets at 30 June 2003.

## 10. Fixed asset investments - Company

	Subsidiary undertaking £	Total £
<b>Cost and net book value</b>		
Additions	1,000,316	1,000,316
At 30 June 2003	<u>1,000,316</u>	<u>1,000,316</u>

The above investment relates entirely to the subsidiary undertaking, CLVR Pty. Ltd. which was purchased on 17 April 2003.

The loss after taxation of CLVR Pty. Ltd for the period from 1 July 2002 to 17 April 2003 was £790,503 (Year ended 30 June 2002 - loss £218,339).

### 10.1 Holdings of 20% or more

The Company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Nature of business	Shares held class	Proportion of shares held
<b>Subsidiary undertaking</b>				
CLVR Pty. Ltd	Australia	Development and sale of laser optical equipment	Ordinary	100%

The above subsidiary's transactions are all included within the consolidated financial statements.

# Notes to the Financial Statements continued

for the period ended 30 June 2003

## 11. Debtors - Company

	30/06/03 £
Amounts owed by Group undertaking	910,194
Prepayments and accrued income	246,930
	<u>1,157,124</u>

### Debtors - Group

	30/06/03 £
Trade debtors	24,335
Prepayments and accrued income	262,210
	<u>286,545</u>

## 12. Creditors: amounts falling due within one year - Company

	30/06/03 £
Accruals and deferred income	<u>5,000</u>

### Creditors: amounts falling due within one year - Group

Trade creditors	99,435
Directors' accounts	57,810
Other creditors	148,794
Accruals and deferred income	123,197
	<u>429,236</u>

### Creditors: amounts falling due after more than one year - Group and Company

Convertible loan notes	<u>1,342,844</u>
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### Loans falling Due

Between one and two years	<u>1,342,844</u>
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The convertible loan notes are unsecured and are repayable in full on the first anniversary of flotation, 8 July 2004. The lender has the option to convert the loan at any time up to the repayment date into 2,165,877 ordinary shares of 5p each. No interest is payable on the capital balance.

### 13. Share capital - Group and Company

30/06/03  
£

#### Authorised

100,000,000 Ordinary shares of 5p each 5,000,000

#### Allotted, called up and fully paid

20,961,785 Ordinary shares of 5p each 1,048,090

On 17 April 2003 a share exchange was carried out in respect of the acquisition of CLVR Pty. Ltd and 20,006,322 Ordinary Shares of 5p each were issued at par value.

On 5 May 2003 924,693 Ordinary Shares of 5p each were issued at a premium of £0.57 per share in exchange for amounts due by CLVR Pty. Ltd totalling £574,797.

Also on 5 May 2003 30,730 Ordinary Shares of 5p each were issued for cash. They were issued at a price of 62p per share.

The remainder of the shares relate to the 2 subscriber shares which were converted from 2 Ordinary Shares of £1 each to 40 Ordinary Shares of 5p each.

### 14. Reserves - Company

	Share premium account £	Profit and loss account £	Total £
Premium on issue of shares	546,078	-	546,078
Loss for the period	-	(20,571)	(20,571)
<b>At 30 June 2003</b>	<u>546,078</u>	<u>(20,571)</u>	<u>525,507</u>

#### Reserves - Group

	Share premium account £	Profit and loss account £	Foreign currency reserve £	Total £
Premium on issue of shares	546,078	-	-	546,078
Loss for the period	-	(660,238)	-	(660,238)
Foreign currency translation gains arising in the period	-	-	19,304	19,304
<b>At 30 June 2003</b>	<u>546,078</u>	<u>(660,238)</u>	<u>19,304</u>	<u>(94,856)</u>

# Notes to the Financial Statements continued

for the period ended 30 June 2003

## 15. Reconciliation of movements in equity shareholders' funds - Company

	30/06/03 £
Loss for the period	(20,571)
Net proceeds of equity share issue	1,594,168
Net addition to equity shareholders' funds	<u>1,573,597</u>

## Reconciliation of movements in equity shareholders' funds - Group

	30/06/03 £
Loss for the period	(660,238)
Net proceeds of equity share issue	1,594,168
Foreign currency translation gains arising in the period	19,304
Closing equity shareholders' funds	<u>953,234</u>

## 16. Contingent liabilities

A third party is seeking a refund of monies paid under a contract with CLVR Pty. Ltd (the Company's wholly owned subsidiary) that was terminated in August 2001. CLVR has a potential counter claim against the third party for damages relating to breach of contract. The directors and the Company's legal advisors believe the risk of a liability arising to the third party to be remote. The amount payable by the Group in the event of the action being successful cannot be quantified.

## 17. Transactions with directors

One of the directors, Paul van Saarloos, has a loan outstanding from CLVR Pty. Ltd. This relates to undrawn salary. The amount of this loan is disclosed within creditors as directors' accounts. No interest is charged on this balance.

## 18. Related party transactions

Findlay & Company provide consultancy, payroll and some general accounting services. Hugh Grant, a director in the Company, is a partner in Findlay & Company. Normal commercial rates are applied to all transactions. During the period to 30 June 2003 a total of £4,823 was paid by the Company to Findlay & Company. At 30 June 2003 the balance due to Findlay & Company was £nil.

The Group has taken advantage of the exemptions within FRS 8: Related Party Transactions and accordingly transactions between the companies within the Group are not disclosed.

## 19. Post balance sheet events

The Company was floated on the Alternative Investment Market on 8 July 2003. At which time 12,637,363 five pence ordinary shares were issued. The flotation price was 91p per share.

## 20. Controlling interest

At 30 June 2003 the Company was controlled by the van Saarloos family. Paul van Saarloos is a director of the Company. Mr van Saarloos, his wife and a family trust over which he has effective control owned approximately 57% of the Company. Following flotation of the Company on 8 July 2003, no individual party has overall control of the Company.

## 21. Capital instruments

The Group did not use capital instruments as a hedging mechanism during the financial period ending 30 June 2003. It is however the Group's intention to commence some foreign exchange hedges in the early part of the next financial year. These are likely to be forward contracts in Australian dollars.

## 22. Leasing commitments

At 30 June 2003 the Group had non-cancellable operating lease arrangements. The annual commitments are as follows;

Operating leases which expire;

	Land & Buildings
In two to five years	<u>36,356</u>

## 23. Gross cash flows - Group

£

### Returns on investments and servicing of finance

Interest received	<u>7,768</u>
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### Taxation

Corporation tax paid	<u>(2,629)</u>
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### Capital expenditure

Payments to acquire intangible assets	(19,695)
Payments to acquire tangible assets	<u>(51,048)</u>
	<u>(70,743)</u>

### Acquisitions and disposals

Cash assets acquired from subsidiary	<u>122,243</u>
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### Financing

Issue of ordinary share capital	19,052
New loan notes issued	<u>1,342,844</u>
	<u>1,361,896</u>

## 24. Analysis of changes in net debt - Group

	Cash flows £	Closing balance £
Cash at bank and in hand	<u>773,458</u>	<u>773,458</u>
Debt due after more than one year	<u>(1,342,844)</u>	<u>(1,342,844)</u>
<b>Net debt at 30 June 2003</b>	<u>(569,386)</u>	<u>(569,386)</u>

# Notes to the Financial Statements continued

for the period ended 30 June 2003

## 25. Fair Value of Acquisition

The Company acquired its subsidiary during the year. This subsidiary was acquired by way of a 7 for 1 share swap. This exchange was regarded as full and complete consideration for the assets and liabilities of CLVR Pty. Ltd.

The fair value of assets acquired was the same as the balance sheet of CLVR Pty. Ltd at the acquisition date. The net liabilities acquired amounted to £629,898. This was also considered to be the fair value of separable net assets and liabilities at the acquisition date.

A breakdown of what was purchased is as follows

	£
Tangible Fixed Assets	66,358
Intangible Fixed Assets	3,533
Current Assets	156,752
Current Liabilities	(856,541)
	<u>(629,898)</u>
Goodwill	1,630,214
	<u>1,000,316</u>
Consideration	
Consideration satisfied by;	
Shares issued	<u>(1,000,316)</u>
Net cash inflows in respect of the acquisition comprised:	
Cash at bank and in hand	<u>122,243</u>

## 26. Share Options

At 30 June 2003, there were option agreements in place for the purchase 3,381,704 ordinary shares of 5p each. Options held by directors of the Company were as follows

	Number of Options	Exercise Price (£)
Simon Gordon	1,007,321	0.05
Hugh Grant	70,000	0.62
Dr William Ardrey	350,000	0.62

Options in respect of 1,120,000 shares were exercised on 1 July 2003 at a price of 62p per Ordinary Share of 5p each. There are also further options in respect of 834,383 shares.

Number of Options	Exercise Price (£)	Exercise Period
694,383	0.91	By 8 July 2008
140,000	0.62	By 20 June 2006



