



oxfordshirebioscience network

Oxfordshire
Bioscience Cluster
Report 2005

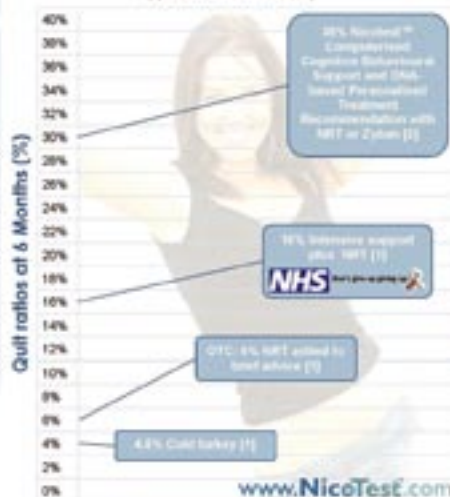
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Placing People First

foreword

by
Lord Sainsbury of Turville
Minister for Science and Innovation



I am delighted that six years on from the 1999 Biotechnology Cluster Report, in which we analysed key cluster success factors and made recommendations for government policy makers, we are able to see the evidence of the continued success of Oxfordshire in meeting the crucial challenge for UK clusters to grow into successful, established businesses.

Having identified in 1999 what contributes to success, as well as possible barriers to development, Oxfordshire was considered to have 'enough of the critical factors' associated with fully functioning clusters. It was also considered to have some of the problems associated with success. The maturation of the Oxfordshire Bioscience Network, the 2002

Cluster Report and the 2005 cluster survey, are testimony to the network's proactive, local initiative in taking forward our recommendations: continued support for regional biotechnology associations, data capture to better understand cluster growth and dynamics and the development of initiatives to improve the overall environment for cluster growth.

I am pleased that the 2005 survey findings show the cluster has not only survived the recent biotechnology downturn but built further on its strengths, such as its world class university science base, entrepreneurial

I am pleased that the 2005 survey findings show the cluster has not only survived the recent biotechnology downturn but built further on its strengths . . .

culture, geographical concentration of purpose-built premises, incubator facilities and the existence of local companies in related sectors that create in Oxford the 'intellectual buzz' – that crucial component for attracting leading researchers and managers. Following on from the recommendations for concerted action UK-wide across a range of policy areas

including support of the science base, flow of venture capital and urban planning policies, the Oxfordshire Bioscience survey's findings, and stated challenges, indicate they have achieved much and are committed to achieving more in the future.

Looking ahead, for an established UK biotechnology cluster such as Oxfordshire, the challenge is to work together with other stakeholders in the region to sustain growth and to work at establishing a significant and globally competitive position.

I should like to congratulate and thank all who contributed to the achievements of the Oxfordshire bioscience cluster to date, and on behalf of the report team would particularly like to thank those who contributed to the surveys from which the network can analyse its progress to date and prioritise plans for the future. I will follow the continued growth and progress of Oxfordshire bioscience cluster closely, and am delighted to continue to offer my support to the network's on-going initiatives in developing the cluster's competitive position and international profile.

welcome

Lin Bateson
Operations Manager, Oxfordshire Bioscience Network



Lin Bateson

The Oxfordshire Bioscience Network 2005 Cluster report is the culmination of nearly a year's work by the OBN team surveying the Oxford Bioscience Cluster. The Report underlines the continued development of Oxfordshire as a leading biotechnology cluster and demonstrates the value and importance of the Network, launched by Lord Sainsbury in 1999.

Oxford enjoys international status through its unique mix of academic prominence, innovative flair and industrial

productivity. The bioscience cluster within Oxfordshire has been built on all three of these attributes, which have historically provided stability to the region. Consequently the Oxfordshire Bioscience landscape is currently dominated by successful survivors of a global biotech downturn, and has the necessary knowledge, innovation, skills, experience and profile to embrace new models and formulae for biotechnology growth. The next few years are likely to define a

The Report underlines the continued development of Oxfordshire as a leading biotechnology cluster . . .

path for successful innovative biotechnology and Oxfordshire is set to be a proving ground for this new approach in biotechnology.

The Oxfordshire Bioscience Network has established its

position at the centre of the bioscience community and will continue to provide practical support to the cluster. The Network has grown into a unique and pioneering partnership between Oxford's two universities, local industry, research organisations and professional business support services from across the county and beyond. The successful emergence of the UK Bioinformatics Forum, a collaboration between Oxford Brookes University, OBN and the University of Oxford's Science Enterprise Centre, is an example of the Network's style of partnership and innovation.

Looking ahead, the Network will continue to deliver impartial signposting, information and networking opportunities for the Oxfordshire bioscience cluster. The positioning of the Network has become more commercial in its focus and will facilitate the establishment of

wider partnerships and links with the bioscience industry and its supporters. This will help to identify and assist the commercial application of biological research within the Oxford Universities, and provide practical support to emerging and growing companies.

I would like to acknowledge all of the individuals that responded to the OBN survey as well as all of the contributors to this report – a keen interest and commitment by the Oxfordshire bioscience community has been demonstrated.

I would particularly like to acknowledge the work and dedication of Alexandra Haworth – who together with an experienced marketing

and technical team from Northbank Communications and Oxford Brookes University have produced this report. A special mention is needed for the unpaid Consultants upon whom we rely for their feedback and expertise, particularly

to the project. We particularly thank our sponsors, supporters and members for their financial support and commitment, which enables the Network to succeed and flourish.

The Network has grown into a unique and pioneering partnership between Oxford's two universities, local industry, research organisations and professional business support services from across the county and beyond.

Drs Valerie Tate and Alasdair Stamps, who have contributed their research and writing skills

***academic prominence,
innovative flair and
industrial productivity***

A large, circular, semi-transparent graphic on the left side of the page contains a microscopic image of biological tissue, showing various cellular structures and fibers in shades of blue, purple, and orange. The word "contents" is written in a large, light green, serif font across the top of the page, partially overlapping the graphic.

contents

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fast facts

Oxfordshire's bio-community - Fast Facts

Biocluster metrics

- 66 biotechnology companies employing 2000 people
- 160 specialist service providers with biotechnology expertise
- 10 major bioresearch institutes and universities
- 3 leading hospitals involved in research and working with biotechnology
- 14 publicly quoted biotechnology companies
- 23 new companies since 2002
- 2 major science parks housing 47% of Oxfordshire biotechnology companies

Types of biocompanies

- 4 non-UK drug discovery biotechnology companies
- 2 non-UK contract service biotechnology companies
- 2 non-UK proprietary biotechnology companies with drugs in Phase II of clinical development
- 40% biopharmaceutical companies
- 15% of biotechnology companies with a foreign parent

Primary research activities

- 21% biotechnology/ pharmaceutical
- 17% drugs discovery
- 17% human healthcare diagnostics
- 11% vaccines
- 11% specialist reagents
- 10% contract R&D
- 7% agro & environmental biotechnology
- 6% bioinformatics

Drugs and deals

- 21 commercial deals in H1 2005
- 53 drugs in clinical trials
- Over 70 drugs in pre-clinical pipelines

Academic research

- 21 Nobel prize winners in medicine and chemistry since the discovery of penicillin by Florey and Chain in 1945
- 2500 researchers in science and medicine
- 2000 postgraduate students in science and medicine

Finance

- £145m of VC/IPO funding in 18 months preceding report
- 18 funding rounds
- 3 IPOs
- One seventh of the UK biotechnology private funding raised in this period was by Oxfordshire companies

Company locations

- Milton Park (27% of companies)
- Oxford Science Park (20% of companies)
- Oxford BioBusiness Centre (incubator)
- Harwell Innovation Centre
- Begbroke Science Park
- DiagNox Laboratories (incubator)

Infrastructure

- Over 350 acres of Science Parks
- Over 4.5 million square feet of office/labspace
- 1 hour by road to Heathrow Airport
- 1 hour by rail to Central London
- Air link to Cambridge



oxfordshire bioscience network

- Making the Connection

The Oxfordshire Bioscience Network is a not-for-profit organisation that promotes biotechnology business and research enterprise across Oxfordshire. The network was launched in 1999 by Lord Sainsbury of Turville, Minister for Science and Innovation, in order to provide networking and support to the bioscience industry in Oxfordshire. By supplying a range of services that facilitate

networking, communication and information exchange across the region, the network provides essential resources to grow successful businesses. OBN is hosted by Oxford Brookes University and managed by Lin Bateson and a small team. The network is guided by a

*knowledge exchange,
introduction
collaboration*

steering group, consisting of representatives from the region's bioscience industry and its supporting service and supply companies.

Oxfordshire Bioscience Network provides opportunities for knowledge exchange, introduction and collaboration through a range of monthly events, resources provided via its website (www.oxfordshirebioscience.net), speaking engagements, courses for local, national, and international communities and through information and updates circulated to an extensive contact list via the electronic bulletin 'Vector'. New companies are showcased in the biannual Local Biotechnology Forum meetings, which draw a large audience and have regularly featured 3 to 4 emerging companies. Oxfordshire companies also get to deliver

their 'elevator pitch' to investors at the Joint Oxford-London-Cambridge meeting organised by OBN, ERBI and the London Bioscience Network.

OBN organises regular informational events, such as mission reviews and legal reports. The Lambert Report, addressing the drafting of agreements involving technology and IP transfer and licensing, was one such feature event in 2005.

"We all thoroughly enjoyed the Industry Briefing Course. It was an excellent opportunity for us to round out our knowledge and meeting [company x] crystallised in our minds just what a small biotech has to go through in the process of becoming a success!"

Harriet Fear,

UKTI Biotech & Pharmaceuticals

Team Leader.

"Following the recent 'Lambert Toolkit' event I found the meeting valuable in several respects, I learnt something new, I met new contacts and renewed old acquaintances, I obtained an enquiry that led to a commission for work and the catering was excellent!"

Paul Madeley, Director, Synth-Isis Ltd.

The Business for Biotechnology course delivered for three years running and with ever-expanding scope, provides Overseas Embassy and Consulate staff with a rigorous and comprehensive primer on the basis, aims and needs of the bioscience industry.

The network introduced a membership scheme in late Spring 2005: members enjoy access to networking opportunities with industry leaders, free access to a package of pre-negotiated consultancy sessions and services and use of the restricted areas of the website. For larger, more established companies, membership of the network is also an opportunity to support the

region and contribute to its continued success. In order to promote global partnerships with Oxfordshire bioscience companies, the networks members include global pharmaceutical companies. OBN promotes local biotechnology service providers, from legal and accountancy firms to laboratory suppliers, and not least the industry itself, through sponsorship agreements which form a major part of the network's funding and recommend high quality, accredited services to the sector.



oxfordshirebioscience|network

www.oxfordshirebioscience.net



the cluster

– an overview

Oxford's dreaming spires symbolise one of the strongest areas in the United Kingdom for biotechnology. Its world famous universities and vibrant entrepreneurial culture make it an internationally recognised brand with a name for innovative R&D, excellent infrastructure and skills supply, and effective networking.

Oxfordshire's success places it at one apex of the UK's biotechnology and healthcare Golden Triangle, with

Cambridge and London at the other two. The proximity of the three centres is highly synergistic, supporting a steady exchange of skills, technology and information, a high quality service industry and a concentration of purpose-built facilities.

to London, Heathrow Airport and the South, as well as the top universities in the country make the Oxfordshire location appealing to new companies. Travel has become even more important with the growth in partnering conferences and investor meetings; London and

Oxfordshire's strong and growing company base makes it one of the most successful clusters in the UK

Infrastructure

The county has 2 major science parks, in which most of the biotechnology companies are situated. Milton Park and the Oxford Science Park offer both start-up and follow-on facilities, housing the majority of the biotechnology companies. The remaining companies are located at innovation centres, university incubators and other locations in the region.

Oxford's close proximity and excellent connections

Heathrow are less than an hour away.

Internationally recognised universities provide a strong science base and have a positive effect on standards of recruitment, by adding to the pool of local skills.

Collaborative partnerships are largely trans-national, and Oxford is a prestigious brand that, in its own right, attracts interest from overseas companies.

The county itself is geographically suited to industries with high level requirements for technical and management skills, collaborative partnering exchanges and travel.

State of the cluster

The Oxfordshire bioscience cluster currently comprises 66 bioscience companies employing just fewer than 2000 people. Companies range in size from start-ups with one or two staff to more mature enterprises employing over a hundred.

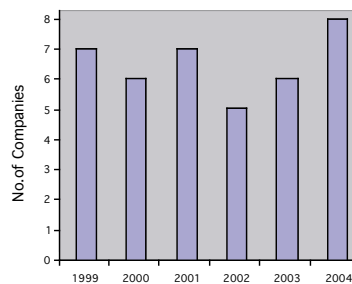
Chart 1: Number of companies in different size bands



The cluster remains dynamic and continues to attract new companies. Oxfordshire's strong and growing company

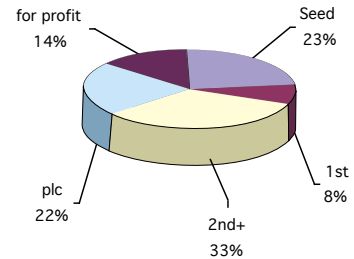
base makes it one of the most successful bioscience clusters in the UK. In 2004 the cluster saw a record number of new companies as Oxford's spin-out and start-up company culture continued to thrive. Oxford University has fuelled cluster growth with a sustained policy of intellectual property capture and commercial spin-out.

Chart 2: Number of new companies per year since 1999



With almost 1/3 of companies at seed and first round funding, 1/3 at second round, and almost 1/4 of companies quoted, the cluster is a balanced mix of companies at all stages of growth.

Chart 3: Stage of development of Oxfordshire's biotech companies



The cluster has also attracted inward investment from international and UK companies, with for example, OSI Pharmaceuticals, Orchid and Cozart creating new sites for R&D. Chroma Therapeutics moved to Oxfordshire from Cambridge. New spin-outs, such as PowderMed and Oxford Genome Sciences, have been generated via asset dispersal following acquisitions.

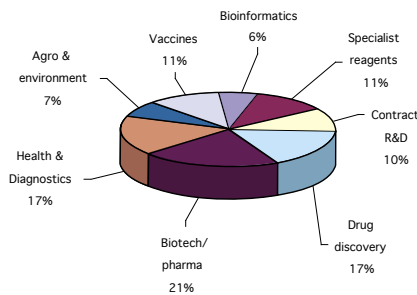
The cluster remains dynamic and continues to attract new companies

maturity

– from technology to product

The mix of start-ups and more mature companies in Oxfordshire is testament to the thriving yet evolving cluster. The range and variety of the companies also extends to their primary focus with market areas ranging from biopharmaceutical to environmental products. However the majority of Oxfordshire-based companies fall into the main categories of biotech/pharma, health and diagnostics and drug discovery.

Chart 4: Primary focus of Oxfordshire's Bioscience companies



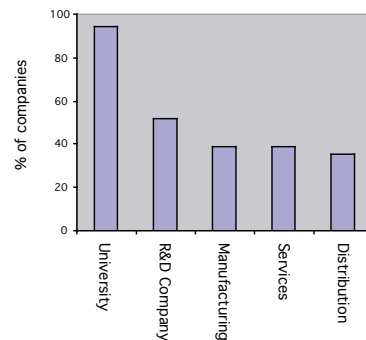
Partnering and collaboration SMEs in the bioscience industry can greatly extend their R&D capabilities, income streams and attractiveness to investors by striking collaborative agreements with academics, other companies with complementary technologies, or long-term customers. The Oxfordshire cluster is highly active in this respect with a global network of links and collaborations. In the first 6 months of 2005, 23 commercial deals were announced by Oxfordshire companies, mostly for collaborative development.

Oxfordshire biotech companies favour the UK as a place to do business, with North America a close second. As the current world leaders in biotechnology, these areas are a logical choice.

Looking to other regions, the cluster is also strongly linked to Europe. Links with Japan are more difficult to forge but more than 1 in 10 Oxfordshire companies already have marketing agreements in place.

Understandably, companies with major investment needs and products to develop and sell look mostly outside the county for their next deal. One major local biotech respondent commented, "Oxford is not our principal market".

Chart 5: Collaborative and marketing deals in the Oxfordshire cluster



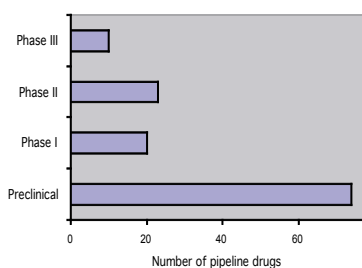
An increased product focus

Over the last three years, investor sentiment has been affected profoundly by the realisation that new drug product timescales are much longer than those of other industries. As a result, VC money in particular has been refocused on near-to-market companies, i.e. those

with drugs in clinical trials, that will be attractive to the global pharmaceutical industry.

At the time of the last Cluster Report in 2002, the Oxfordshire cluster was largely focused on technology development, with few drugs in clinic trials. In 2002, 8.6% of companies stated their primary focus as drug discovery compared to 17% in 2005. This year a very different landscape has emerged: companies with research bases in Oxfordshire currently have 53 drugs in clinical trials and a strong portfolio of preclinical targets. The cluster has matured in a remarkably short space of time and established itself as a feeder for the pharmaceutical industry.

Chart 6: Pipeline drugs in Oxfordshire



Investor's return

Oxfordshire based companies have raised a disproportionately high share of UK private funding in 2005 (1/6 of whole UK). Companies in the region have refocused their strategies to

align with investor sentiment, and the past year has shown the success of this approach. In the eighteen months to June 2005 (Chart 7), biotechnology companies with a research base in Oxfordshire have reported raising £145 million¹ in venture funding or IPO exits. Inward investment, in the form of other UK and international

companies acquiring, setting up or expanding R&D facilities has been a significant change for growth in the last three years. OSI Pharmaceuticals made a considerable investment by setting up an R&D facility on the former British Biotech site in south Oxford. Within two years, OSI had developed a new biotechnology company, Prosidion, which currently boasts a pipeline of 5 preclinical projects and 3 drugs in clinical trials. Cobra Biomanufacturing also set up a new GMP production facility in the county and signed four new deals in the first half of 2005 for the

Chart 7: Companies that have raised cash in 2004/5

| Company | Amount raised (£m) |
|----------------------|--------------------|
| Chroma Therapeutics | 15 (2 rounds) |
| Cozart | 1.6 |
| Evolutec | 15.5 (2 rounds) |
| Glycoform | 1 |
| OgeS | unknown (2 rounds) |
| Oxagen | 30 |
| Oxitec | 1.3 (private/Uni) |
| Oxonica | 6.6 (2 rounds) |
| Pharminox | 1.5 |
| Physiomics | 0.75 (IPO) |
| Powdermed | 20 |
| Prolysis | 5 |
| Surface Therapeutics | 1.5 |
| TopoTarget | 10 +20 (IPO) |
| Vastox | 15 (IPO) |

supply of plasmid DNA. Orchid Biosciences, having purchased Cellmark Diagnostics in 2001, have expanded this facility and established DNA identification services in forensics as well as agricultural genotyping.

¹ Figures are based on reporting to the Oxfordshire Bioscience Network news service.

what the

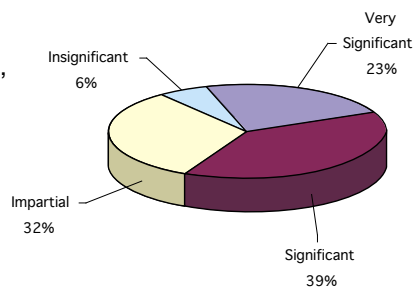
As the Oxfordshire cluster continues to grow and mature the challenges facing the industry evolve. The Oxfordshire Bioscience Network survey asked bioscience companies within the cluster their opinion on what is important to their business and ongoing activities.

Oxford brand and location

Oxford's international reputation for world-class universities,

entrepreneurial culture and successful bio cluster make it a highly regarded brand. 62% of respondents felt that the Oxford brand was significant or very significant in the promotion of bioscience companies; very few dismissed outright the significance of the name. Almost a third of Oxfordshire based bioscience companies use 'Ox' or 'Oxford' as part of their name.

Chart 8: Significance of the Oxford brand



Being part of the Oxford-centred cluster brings positive benefits by borrowing on the city's reputation, particularly the international interest it attracts; Oxford is frequently included in the itinerary of inward trade missions and other overseas visitors looking at commercial opportunities in the UK.

Premises

The requirement for specialist premises, with

flexible leasing arrangements, is a common problem for expanding biotechnology clusters and is key to a successful cluster. Availability and cost of office and laboratory space were cited in the top five key issues that could negatively affect the growth of the cluster (see Chart 12). In particular, low-cost incubator facilities can be critical to the survival and growth of fledgling bioscience enterprises.

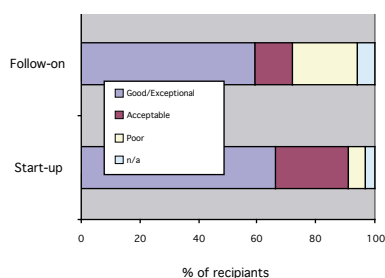
Oxfordshire's biotech cluster includes several principal sites in which the majority of biotechnology companies are based. Start-up and follow on facilities are available at Milton Park and the Oxford Science Park, which have the highest concentration of biotechnology companies, housing 27% and 20%, respectively. The remaining 53% are located at university incubators, innovation centres and other locations in the region. Oxfordshire's largest biotechnology incubator, the Oxford Bio-Business Centre currently houses 14% of Oxfordshire start-up companies¹.

The majority opinion of the cluster is that facilities are good in Oxfordshire, particularly start-up premises; a few find the area

companies say...

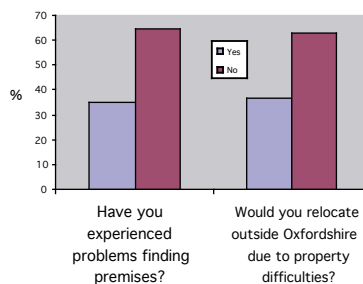
to be exceptional. There are more companies unhappy with follow-on laboratory provision (22%) than with start-up (6%), perhaps reflecting the fact that once companies become established and move into independent facilities, there is no longer the very high level of shared services provided by incubator sites.

Chart 9: Opinion of start-up and follow-on facilities in Oxfordshire



Regarding the availability of premises, only 1/3 of those asked had experienced difficulties in finding the right location in Oxfordshire. Over 2/3 of participants stated they would

Chart 10: Availability of premises



not consider relocating outside of Oxfordshire if premises were difficult to find, providing further evidence that Oxfordshire is a desired location for biotech companies.

Recruitment and Retention of Staff

The greatest asset of any company is its staff and for early-stage bioscience companies, high quality technical and management skills are essential to success.

The OBN survey results indicated that, for our respondents, availability of

quality staff is top of the list of advantages offered by the Oxfordshire cluster, with 71% reporting no difficulty with staff recruitment. This is particularly encouraging at a time when one of the biggest problems reported worldwide is attracting high calibre management: our survey results did not flag this as a key issue for Oxfordshire.

The survey also asked whether any key skill areas were less easy to recruit. For the 29% of companies that reported having problems taking on staff, 2/3 reported that scientific and technical skills were the most difficult to obtain.

1 The Bio-Business Centre lease expires at the time of this report's publication and funding to relocate the facility was not secured. Tenant companies all intend to relocate within the county.

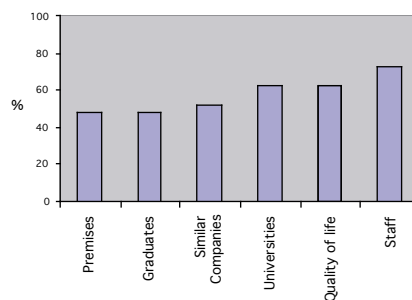
oxfordshire

Advantages of Oxfordshire

Six key advantages to an Oxfordshire base emerged from our survey. At the top of the list, over 3/4 of the cluster's bioscience companies cited availability of staff as an advantage. Proximity to the Universities also scored well, with 62% considering this a plus; a similar number identified Oxfordshire's quality of life as a benefit. The current availability of premises, quality of

graduates and the proximity of like-minded companies were considered good by some, although about half the respondents did not see these factors as being necessarily important or better in Oxfordshire. All of these advantages were cited in the ten most important factors in the growth and maintenance of bioscience clusters in the Sainsbury Report of 1999.

Chart 11: Oxfordshire advantages



Local issues

An overall greater response came back when companies were asked to rate local issues that could impact the progress and success of the cluster. Eight key challenges emerged from our survey with costs naturally attracted a high level of concern: over 3/4 felt that the cost of housing in Oxfordshire is a drawback and one that impinges upon five of the other issues identified i.e.

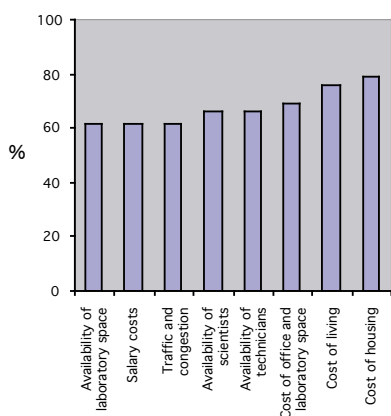
cost of living, and consequently the availability of scientists and technicians, the need to pay higher salaries and cost of office and laboratory space.

Traffic and congestion were also a criticism for 60% of respondents. However, despite the robust response on these issues, it is clear that the cluster deals with them very well and that the county's benefits continue to both attract and stimulate the creation of new bioscience enterprises.

The few companies that have relocated from Oxfordshire in the last three years have done so mainly for the positive reasons of business growth and development. For example, Etiologics (now Argenta), as a small company, acquired the preclinical respiratory research group from Bayer and moved to Berkshire. For the majority, who have not relocated, the advantages Oxfordshire clearly outweigh the drawbacks.

as a choice of location . . .

Chart 12: Negative critical factors



Predicted changes for the industry

The bioscience industry is one of constant change. Product development timelines are extremely long and uniquely affect the commercial dynamics of the sector. Multiple rounds of financing are required and partnerships, stock market flotations and acquisitions are based on predictions of future value. Company closures are not uncommon, but the rate of formation of new companies is also high.

Nine out of ten of biotech companies in Oxfordshire predict a further increase in merger and acquisition activity in the region over the coming year. There is further optimism on spin-outs, with 50% predicting an increase and 45% seeing the present rate being maintained. Similarly, almost all foresee a steadying or increase in stock market flotations.

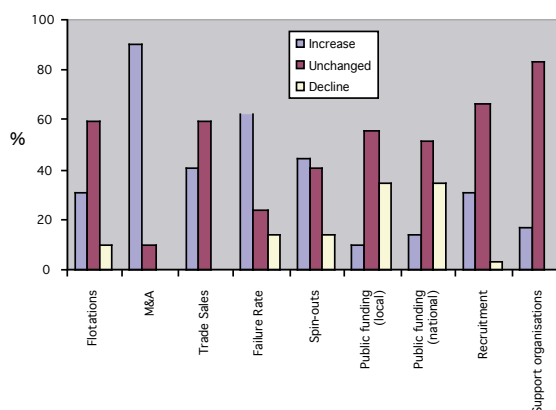
On recruitment, nearly every respondent thought that the current availability of necessary skills would continue or become more plentiful. The cluster's optimism was not so evident with regard to company failures: over 60% predicted that these were set to increase.

The opinion on public funding at local and national levels, showed that almost 50% thought that would be maintained at current levels, although a significant minority (around

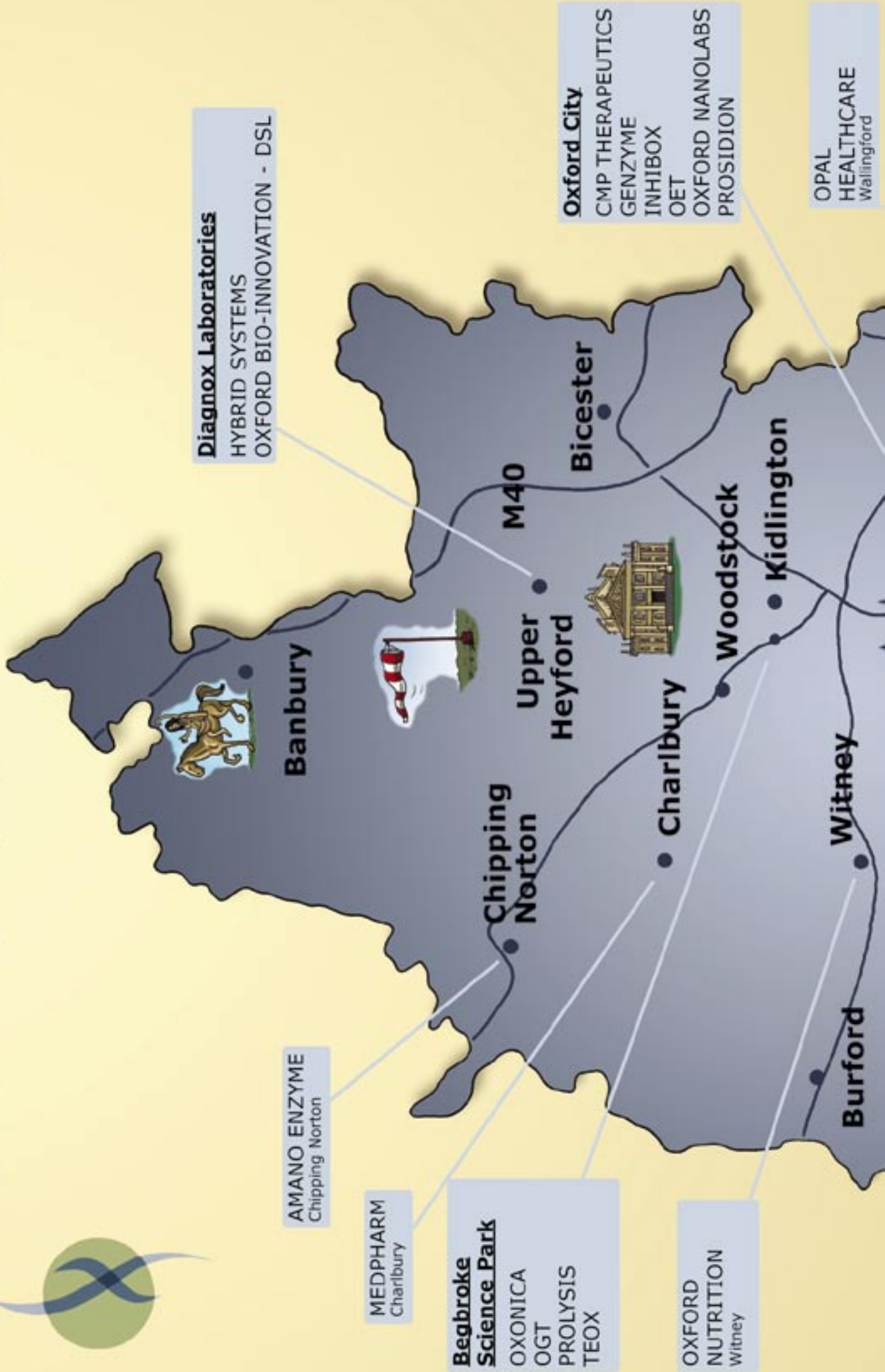
35%) envisaged government money decreasing. Against a backdrop of greatly increased Treasury allocation of cash for bioscience, this appears somewhat paradoxical, but from the companies' perspective, direct cash funding is likely to be of more immediate concern and there have been few signs that this will increase.

The cluster remains positive about the future, but also pragmatic. In general, global developments over the last few years have not greatly favoured the bioscience industry. The companies that make up the Oxfordshire cluster today have largely weathered the storm and their experience will help the cluster develop in the future.

Chart 13: Predicted changes



The Oxfordshire Biocluster



Diagnox Laboratories
HYBRID SYSTEMS
OXFORD BIO-INNOVATION - DSL

AMANO ENZYME
Chipping Norton

MEDPHARM
Charlbury

Begbroke Science Park
OXONICA
OGT
PROLYSIS
TEOX

OXFORD NUTRITION
Witney

Oxford City
CMP THERAPEUTICS
GENZYME
INHIBOX
OET
OXFORD NANOLABS
PROSIDION

OPAL HEALTHCARE
Wallingford



Abingdon Science & Business Parks

R&D SYSTEMS
ORCHID BIOSCIENCE

Culham Science Centre

CARBOHYDRATE SYNTHESIS

Milton Park

AMS BIOTECHNOLOGY
AVIDEX
BIOVEX
CHROMA THERAPEUTICS
COZART
CYBERSENSE BIOSYSTEMS
EVOTEC OAI
GLYCOFORM
G-NOSTICS
OXAGEN
OXFORD GENOME SCIENCES
OXFORD IMMUNOTEC
OXITEC
SURFACE THERAPEUTICS
THE MEDICINES COMPANY
TOPOTARGET
VASTOX
VERTEX PHARMACEUTICALS

Harwell

ACCENTUS
ENDOCRINE PHARMACEUTICALS
EKB TECHNOLOGY
SMART SENSOR TELMED

Oxford Bio-Business Centre

BIOQUANT
BIOTECHGEN
CARETEKMEDICAL
CCTT
EVEREST
GREEN BIOLOGICS
LUDGER
RIBOSTEM
THERMOPLEX

Oxford Science Park

ANGIOGENE PHARMACEUTICALS
CHIRON VACCINES
OXFORD BIOMEDICA
PHYSIOMICS
PROIMMUNE
OXIXON THERAPEUTICS

BIOANALAB
NYCOMED
PHYNOVA
POWDERMED
REOX
ZENEUS

a closer look



Breaking new ground in diagnostics

Oxford Immunotec is one of the many spin-outs from Oxford University that has chosen to stay and develop in the Oxfordshire region. Having spent an initial period in the BioBusiness Centre, the Company moved to premises on Milton Park just over a year ago.

Headed by Dr Peter Wrighton-Smith, who spent much of his earlier career at another of Oxfordshire's success stories, PowderJect, Oxford Immunotec makes a diagnostic test for latent tuberculosis infection. This exciting new product, T SPOT™-TB, is already selling widely in many countries.

TB control currently relies on the 115 year old Victorian skin test, which is crude and inaccurate. The T SPOT-TB test is a simple and effective blood test that is set to revolutionise TB management. Of particular importance is the test's ability to accurately diagnose the infection before it becomes active and symptom causing, making it a valuable tool for controlling and managing disease outbreaks.

Oxford Immunotec was founded in 2002 by Dr Peter Wrighton-Smith and Dr Ajit Lalvani, who developed the Company's technology at the University of Oxford.

"The spiritual home of Oxford Immunotec is a pizzeria in Summertown, where Ajit and I met countless times to discuss the company's formation," says Dr Wrighton-Smith. "Oxfordshire is an excellent base for a

growing bioscience company – I found that when working at PowderJect during its period of rapid growth and it continues to prove to be the case now for Oxford Immunotec."

The Company has developed quickly since formation, launching its first product only two years later. Dr Wrighton-Smith hopes it will become profitable in 2006.

The Company's T SPOT™ technology is a novel way to identify and track the immune system's response to infection and the T SPOT-TB test is its first application. The powerful technique has the potential to be applied to disease prognosis and monitoring of treatment response, as well as in diagnosis of infection.

The Company plans to build a portfolio of applications for a range of other unmet medical needs, building on the success of the TB test. Opportunities exist to use T SPOT to support effective clinical management of HIV, renal failure, transplant, rheumatoid arthritis, Crohn's disease, cancer and many other immunosuppressive disorders. In the meantime, the Company has ambitious plans for the global marketing of T SPOT-TB.

at some of our companies

Delivering gene-based medicines

Oxford BioMedica was established a decade ago as a spin out from Oxford University and has been listed on the London Stock Exchange since 2001. It is a biopharmaceutical company specialising in the development of novel gene-based therapeutics.

CEO and co-founder, Professor Alan Kingsman's association with Oxford University goes back to 1979 when he was an academic working in the biochemistry department. At the time he was one of the few people qualified in the then emerging field of recombinant DNA technology. Oxford was a natural location initially and the company has chosen to remain in the area. *"The quality of the companies comprising the Oxford cluster has established the area as one of the most significant biotech centres in the world,"* says Professor Kingsman, *"Oxford BioMedica is proud to be part of that group"*.

In its early days, Oxford BioMedica was based out of a single room in the Oxford Science Park but already had designs on more space in the nearby Medawar Centre. Following a successful AIM flotation in 1997, they built labs and moved to their current location. The Company has grown to a staff of approximately 65 split between these main facilities in Oxford and a wholly owned subsidiary in California.

Oxford BioMedica has core expertise in gene delivery, as well as in-house clinical, regulatory and manufacturing know-how. Focussing on cancer and neurotherapy, they have a number of products in development. In oncology, the pipeline includes an immunotherapy and a gene therapy in multiple Phase II trials, and a preclinical-targeted antibody therapy in collaboration with a leading pharmaceutical company. In neurotherapy, the Company's lead product is a gene therapy for Parkinson's

disease, which is expected to enter clinical trials in 2006, and four further preclinical candidates. IP underpins the Company with over 80 patent families, representing one of the broadest patent estates in the field.

Oxford BioMedica's commercial strategy is to take candidate products, developed using its proprietary technologies, through preclinical research and early clinical trials to demonstrate proof of principle. They have the infrastructure to do this efficiently and cost effectively, and will then look to corporate partnerships for late stage clinical development and commercialisation.



a closer look

Looking to the future of metabolic disease treatment

The bioscience cluster in Oxfordshire has reached an age where there are now companies forming that are spin-outs of spin-outs, emerging out of companies that are now well established themselves. For example, PowderMed was launched in May 2004 as a management spin-out of the technology developed by the successful Oxford-based company,

PowderJect, after it was acquired by Chiron Vaccines., Oxford Genome Sciences was also spun-out that year when senior members of the Oxford GlycoSciences proteomics division acquired technology, IP and data following the company's acquisition by Celltech plc.

(OSI) Prosidion mirrors this trend, but with a slightly different story. (OSI) Prosidion was formed in 2003 when OSI Pharmaceuticals, Inc. decided to focus its core R&D activities on oncology and created an independent company to pursue research in the areas of diabetes and obesity. OSI invested heavily in (OSI) Prosidion and, in April 2005, it acquired all outstanding third party shares and (OSI) Prosidion became a wholly-owned subsidiary of OSI Pharmaceuticals, Inc., the parent company of (OSI) Prosidion and OSI Pharmaceuticals (UK) Limited.

OSI Pharmaceuticals (UK) Limited was originally based in Birmingham, but took the decision to move to Oxford in the spring of 2002 during a period of expansion. Now part of this important biobusiness cluster, (OSI) Prosidion occupies OSI's purpose-

built, state-of-the-art R&D facility on the edge of Oxford, which continues to be a good location for the younger company.

Anker Lundemose, President, (OSI) Prosidion & Executive Vice President OSI Pharmaceuticals, Inc, commented "We are very happy to be in Oxford, one of the premier biotech clusters in the world. Access to high calibre people, top science, an outstanding bioscience network and access to capital were key reasons for us establishing OSI and Prosidion in the region."

(OSI) Prosidion remains focused on the discovery and development of novel, high-quality type 2 diabetes and obesity products. It has built a diverse but focused portfolio of new products through its own research programmes and selectively acquiring promising new compounds from others. The pipeline currently has 8 active programmes, four in obesity and four in diabetes. One of the diabetes programmes, acquired as part of an acquisition of platform technologies in July 2004 from Probiodrug AG, is in Phase II clinical trials, with results expected in Q4 2005.

In the future, (OSI) Prosidion plans to continue to build its portfolio of research projects and

(osi)prosidion

For further information visit –

www.prosidion.com

continued...

drug candidates in the fields of metabolic disease and expects to maintain its focus on type 2 diabetes and obesity. It currently does not intend to market its products, but plans to partner with other companies, on a product by product basis, once Phase IIb trials are completed.

Anker Lundemose added, "(OSI) Prosidion constitutes the additional therapeutic business unit within OSI Pharmaceuticals, Inc and is a central strategic component to the overall growth and diversification of OSI Pharmaceuticals, Inc. en route to becoming a premier biotechnology organisation."



Treating the surfaces

Surface Therapeutics Ltd is a relatively young spin out from the University of Oxford. It was established in 2004 to commercialise the research of its founders, Prof William Cookson and Dr Miriam Moffatt. Carried out over the last 18 years, their work has focussed upon the genetic basis for diseases of the 'surfaces' of the body, such as atopic dermatitis of the skin and asthma in the lungs.

The Company now occupies

fully equipped facilities at Milton Park, near Abingdon in Oxfordshire. *"This provides an excellent base for the Company," comments David Laskow-Pooley, CEO.* Its geographic position within a local biopharmaceutical cluster in itself, at Milton Park, gives it easy access to many of the groups the Company will need to utilise as it implements its development programmes.

"It's like having departments just across the street", adds Mr Laskow-Pooley, "giving us many of the benefits provided by a large company, such as economies of scale and being able to drop by and talk over areas of interest, without any of the disadvantages. In such a manner, everyone wins. Despite being in a world of easy communication, actual physical interaction is very important in initiating and potentiating collaborations in innovative areas."

The focus of Surface

Therapeutics is to develop novel treatments for inflammatory diseases and its main targets are asthma and atopic dermatitis. Asthma affects 155 million people worldwide and atopic dermatitis affects a similar number, both with groups of patients for whom the disease is poorly-controlled.

To be successful, the Company recognises the value of being situated within an effective cluster and having strong links with hotbeds of leading edge research. Oxfordshire provides for both of these with sites such as Milton Park, Oxford Science Park and other locations throughout the region. There are good links with the Universities within Oxford, but also easy proximity to others, such as Imperial College London and Southampton.

Significant progress has been made on its three lead programmes since the Company's inception and now it is progressing with the development of at least one candidate through pre-clinical stages in readiness for clinical trials. Surface Therapeutics intends to remain focussed upon its core scientific expertise and to outsource all ancillary steps in the drug-discovery chain. Its strategy will be to take clinical candidates through Phase I and, as appropriate, early Phase II clinical trials ahead of partnering with a major pharmaceutical company. In essence, the Company aims to become a sustainable discovery engine feeding into the pharmaceutical product pathway.

for further information visit -

www.surfacetherapeutics.com

bioscience

OXFORD CAPITAL PARTNERS

The Oxfordshire Bioscience cluster is now recognised by investors as an important source of successful new businesses. Both angel and venture capital investors have made attractive gains from investments in companies such as Powderject, Oxford Asymmetry and Oxford GlycoSciences. Today, a number of emerging

companies are positioned for further growth. Avidex, Vastox, Oxagen, Oxitec and Oxxon Pharmaccines are examples.

The availability of specialist funding, professional services, technical support, a large talent pool and the presence of a world class university are all factors which make the Oxfordshire bioscience cluster a success. Investment of over £125 million has been raised by Oxfordshire biotechnology companies over the past 18 months to June 2005. Specialist venture capital and angel investors located in the region have played an important role in attracting later stage and international capital to support businesses in the cluster.

While Oxfordshire bioscience businesses have been successful in raising significant funding compared to businesses in other clusters across Europe, the funding climate has remained challenging. Many companies have experienced long periods of fund raising and have had to contact many investors. Investors have

been cautious and many have preferred to invest in later stage businesses.

Funding for bioscience companies has come from a number of sources at the different stages of a company's development. Business angels are followed by venture capital investors, who are then followed by the capital markets, either through a listing or an acquisition.

Many companies also benefit from grants and debt support from the Government or the EU. Sue Staunton of Oxford accountants James & Cowper commented, "It's really tough for biotech companies to get funding at start-up. The Government has a key role to play here and there is money available, but I'd like to see more clarity for entrepreneurs in what, where and how they can access grants".

The Oxford Investment Opportunities Network is one of the most successful networks of angel investors in the UK. In 2004 it successfully raised £1m for 5 bioscience companies and in the first half of 2005 has raised £0.8m for 4 companies.

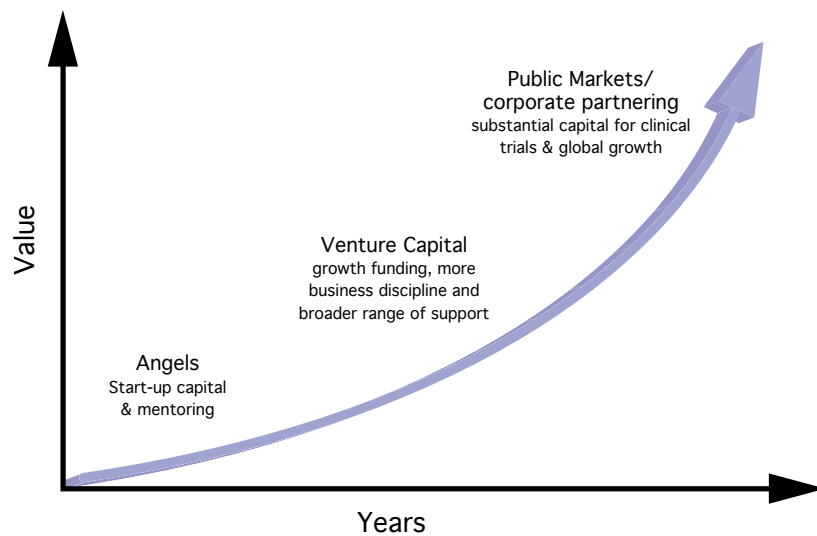
funding

- Fuel for Growth

There are three active venture capital investors based in Oxfordshire: the Oxford Technology VCTs which invest £100,000 to £250,000 in start up and early stage companies, Oxford Capital Partners which invests up to £1 million in science and technology companies and Seven Spires Investments which invests up to £1 million in early stage technology companies. The presence of these local professionals acts as a catalyst in attracting capital from later stage investors internationally.

Investors look for a good management team with a successful track record of growing businesses. For bioscience companies, further key investment criteria are the quality of the science and the strength of the intellectual property portfolio.

As bioscience companies move into and through clinical trials, so the need for large industry



partners and capital (larger private equity venture firms and additional capital markets) moves to the fore. Only a few of the many start-ups will reach this stage – but without the many, there will not be the few. So it is critical that all providers of support, grants and funding – universities, the Government, angels, venture capitalists and corporates – continue to support biotech innovation, spin-outs and start-ups in the Oxfordshire area.

Oxford Capital Partners is a venture capital firm focused on investing in science and technology businesses. Specialising in identifying exceptional companies with high growth potential, Oxford Capital Partners supports companies from an early stage through to IPO. Oxford Capital Partners has made 20 investments in technology and life science sectors and is an active supporter of the UK's science and technology base.

for further information visit -

www.oxcp.com



don't keep

them guessing!

As businessmen and scientists, you continually strive to reduce risk, clarify your purpose, eliminate guesswork. That's good. But, by itself, it's not good enough. In a world that's no bigger than your laptop and an era in which breakthroughs become routine, good communications are as critical to success as hiring great people. A business plan without an integral

communications strategy will perform like an engine with no oil.

Yet there are still companies that have lots to offer but little to say. They believe it's better to keep their "heads down until the time is right", when invariably "right" is too late. They allow their competitors to capture the communications high ground in the belief that their products, technology and services will somehow "speak for themselves".

There's usually no reason to keep people guessing about what you're doing and every reason to share with them where you're planning to go. After all, investors don't invest in yesterday, customers buy what you have today (and what you might have tomorrow) and potential employees are attracted by the opportunity of a brighter future. But if you don't communicate effectively with them, they either won't know you at all or will have to guess at what you might do for them. And, guess what? You can be pretty sure that they won't guess right!

So, who are these "people" you need to communicate with? At different stages of your company's life, you're

going to have to communicate with your staff and potential employees; investors and shareholders; customers and partners; suppliers, advisors and collaborators; the media; regulatory authorities; and maybe even the general public. Many of these people will be scientists, but many will not. Many will have English as their first language, but many will not. Many will want to hear what you have to say, many will need to be "sold to".

Obviously, you don't need to say everything to everyone at the same time. Communications is a strategic process in which you tell your evolving story to different audiences in different ways through different channels. And, just like any other of your strategic processes, if you plan and implement your communications well, they'll add value to your business, underpin your risk management and help drive your success. From start-up to global leader, your communications will need to be professionally planned and managed to underpin the business and help build its future – a future in which the unexpected appears planned and setbacks become opportunities. At all stages, they in turn, need to be underpinned by credibility, truth and competence.

Starting up in the right gear

During the start-up phase of your business, you'll probably have a name and some form of identity (logo, rudimentary graphics and/or colour palette, tone of voice, positioning statements). You'll almost certainly have a business plan, a good understanding of your market and how you're going to be different. You'll probably need to attract a few investors, collaborate with a handful of partners and attract some good staff. You might know many of these personally, but there will be some that don't know you.

So you'll need, at the earliest time, to put yourself on the map – let people know you're here, what you're doing and where you're going. Most of your communications are likely to be to these few audiences, either directly or through the scientific, business and local media. They'll be aimed at informing and educating.

Growing ever louder

Having established your business fundamentals, proven your technologies, moved your potential products forward, you'll want to attract more customers and partners, more investors, more staff. The competitive landscape will be harsh. Your audiences will be global. You won't know them and they won't

know you. Communications are now an essential element of your growth strategy. You'll need to look like a world player, if not a world leader, so your identity will need to project this look. Your communications will need to differentiate you and position you as the company to talk to. They must be integrated, consistent (but not the same), professional and, above all, clear. And they'll mainly be aimed at generating revenue – so leaving your audiences guessing will cost you dearly!

Hitting the big time

As your company matures, you'll be, or will be close to becoming, a sustainable business, probably public. You may have several divisions, several locations, lots of staff, many products and product brands – and you'll face competitors from all sides. The need for integration, consistency and global reach will be ever more important to protect and promote your identity and build your image on the world stage. And at last, you'll have realised the power of professional communications in fuelling growth and minimising risk. You'll look back to those early days with a smile – "Thank God I got it right from the start!"

Peter Colley - Director and co-founder of Northbank, heads its Marketing Communications practice.

Northbank Communications is a full service communications consultancy focused on science-based companies. Our staff of scientists, copywriters, creative designers and programmers, all communications professionals, are committed to working closely with clients to deliver value and help grow their businesses. The company offers its services through three professional practice areas: Corporate Communications, Marketing Communications and Financial Communications; from offices in London, Manchester and Munich.

Northbank's very first client was Oxford GlycoSciences (OGS). From 1991 through the late 90's we provided strategic counsel and managed and implemented all of OGS's marketing communications, establishing them as the world leader, initially in glycobiology and then in proteomics. Today, our Oxford-based clients include Oxagen, Oxford BioMedica, Oxford Immunotec, Oxford Genome Sciences, Oxford Optronics, Physiomics, PowderMed and Prolysis.



helping

'start-ups' grow

Milton Park, Oxfordshire's largest business park, is home to many of the County's bio-science companies including Evotec OAI, Cozart and VasTox to name a few.

High on the list of attractions is the Park's location. Just 10 miles south of Oxford, it provides easy access to the M4 and M40 motorways, international airports and regular fast trains to London via Didcot Parkway train station. The Park can also offer companies the

flexibility to grow, or downsize in tailored hi-tech laboratory and office spaces.

Over the last 20 years, over £150 million has been invested in developing the Park into a vibrant community, with an impressive range of facilities which help to attract and retain staff, and contribute to a positive work/life balance. These include a health and fitness club, two crèches, free buses, two restaurants and bars, a beauty salon, post office, bank and shops.

Milton Park is also the only business park in the world to have forged an active collaboration with a University. Oxford Brookes University's Enterprise Centre has been working with Milton Park since September 2004, offering free or low cost mentoring and support to companies on the Park, as well as student work placements and workshops. Brookes, the University's award-winning restaurant, is opening a sister gourmet dining establishment on the Park this summer.

Indeed, innovation and enterprise are at the heart of the philosophy of the property team running Milton Park, as Managing Director, and Oxfordshire

Business Person of the Year John Bateman explains:

"We make our tenants' business our business. It's our responsibility to do as much as we can to help them grow and prosper, through good times and bad. This goes way beyond us agreeing flexible terms and providing the best in office and lab space. We encourage and facilitate mutually beneficial networking on the Park, so that companies can work together towards a common goal."

This network is fast becoming more than one of sharing issues and ideas; some companies on the Park are now beginning to share equipment and the costs of services and facilities. John and his team have also helped other companies start by offering rent free space in return for a small equity share in their business.

The latest initiative is a campaign to improve sustainability on the Park, with a number of projects under way, including one to increase the amount of waste recycled on the Park to 85%.

Milton Park is an ideal environment for "start-ups" who want to grow as part of a progressive, supportive community.

John concludes:

"We're proud to be the home to so many of the world's most talented Bioscience companies. We have a truly diverse and exciting community around us, who, hopefully will continue to grow and prosper together."



Drug Discovery Company moves to the Park

Milton Park is now home to another Oxford University spin-out, this time in the form of drug discovery services company VASTOX plc.

The life-sciences and biotech business has moved around 12 of its current staff to Unit 91, where its cutting edge genomics services can grow over the coming months and years.

VASTOX specialises in two specific areas – chemical genomics and carbohydrate chemistry. They advise multinational pharma and biotech companies on how to develop drugs and medicines that accurately target the specific area of the body that needs them. In this way, pharma companies can minimise the side effects of their drugs and maximise their effectiveness. Ultimately this is good news for patients, while helping drug developers reduce their research and development costs too.

It's no surprise then that Vastox has seen huge interest in its services. The company is now listed on AIM and has a market capitalization of £50 million.

Company founder and chairman Professor Stephen Davies was the driving force behind the decision to move to Milton Park. As founder of Oxford Asymmetry, (now EvotecOAI), several years ago, Davies saw the Park's potential and it made sense to duplicate the move with Vastox.

Chief executive Dr Steven Lee explains how Vastox hopes to emulate Oxford Asymmetry's successful growth at Milton Park:

"We see our development as a business being a three-stage process. The initial phase of our company's life has seen us base our incubation facilities in Oxford, while our biology labs have been in north London. This has suited us for the last 18 months, but in phase two of our growth, we're looking to grow incrementally."

"Milton Park offers us a huge range of flexible space that we can adapt to meet our needs. And, in the future, there's scope for us to develop our own offices on site – still with easy access to the University and other transport links."

"At the end of the day, Milton Park has a critical mass in terms of services, size and flexibility that we couldn't match elsewhere in the region."

For further information visit –

www.vastox.com





going global

the future looks healthy

Since opening its offices in Oxford over 20 years ago, Manches has seen the Oxfordshire bioscience cluster grow from its early stages, with the creation of the likes of Oxford Glycosciences, Oxford Asymmetry International and Powderject, to the substantial number of Bioscience companies that are currently located in the region.

True, within the last few years

there have been some stumbling blocks in the region's growth, but notwithstanding those set backs (and to be honest, the various mergers and acquisitions – as well as the odd, sometimes spectacular, company failure – are indicative of a mature or maturing market), our prognosis for the cluster is very positive.

Oxfordshire retains its world-class research and medical institutions and, despite the high cost of property around the city, the county is one of the most desirable parts of the UK in which to live and work. Transport links are good by road or train and there are reasonable connections to major airports. There are a range of locations for start up businesses to locate in, and a plentiful supply of follow on space as companies expand. In addition, two of the world's largest bioscience companies, have subsidiary businesses in the region, Genzyme and Chiron, with other "multinational" companies such as Evotec, Oxford Biomedica, Owen Mumford, Prosidion (part of OSI Pharmaceuticals)

and R&D Systems also located here.

It is the presence of these international companies that, perhaps, indicates the future potential of the cluster in Oxfordshire. Certainly the county, and probably not even the whole of the UK, is sufficient to provide a really profitable

We have a dedicated team of lawyers, some with technical background, with many years of experience advising companies in the life sciences sector

market, as these companies have already identified. Their market is a global one and whilst market penetration in the home market may be important, there are far larger markets abroad.

It might be an appropriate business model for a US bioscience company to focus on its domestic market, but the US comprises around 360 million people and for most healthcare related products, this represents about half of the total world market in all sectors.

MANCHES

THAMES VALLEY

The “tiger” economics of India and China are interested in breaking into this sector, India as a result of changes to its patent laws which now protect basic research into novel pharmaceuticals, and China as it gears up became the world’s largest economy (as well as its most populous nation) over the next decade or so.

Being in the global market place does not mean that companies need to be as big as GSK or AstraZeneca. Most companies will need to create partnering arrangements, or licence manufacturing locally to meet local regulations but finding appropriate partners can be tricky. One way is to join UK-Government sponsored missions to overseas countries and enlist the help of the Foreign & Commonwealth Office to identify potential local contacts. Another is to attend conferences overseas, such as the BIO meeting, in the US. Held annually, this is the world’s largest gathering of bioscience professionals. The 2005 event, held recently in Philadelphia, attracted 18,700 delegates from 56 countries and all 50 US states with 6,000 or so coming from outside the UK. In terms of partnering opportunities, most of the people you might need

to meet are likely to attend. Indeed, the administration claims to have scheduled 7,500 partnering meetings during the 4-day convention, not counting the tens of thousands of informal meetings that took place. Looked at in this way, businesses can create real opportunities and save considerable time and money over individual assessment trips.

The search is also not just one way. Businesses in the US or India are looking for European partners to help sell their products or services into Europe. The opportunities are there to be grasped.

So although there will no doubt continue to be mergers and acquisitions which affect the cluster, we believe that the future for the Oxfordshire cluster is bright. It is also likely that it will be global.

Manches LLP is a leading commercial law firm in London and the Thames Valley. we have a dedicated team of lawyers, some with technical backgrounds, with many years of experience advising companies in the life sciences sector. We act for clients across the sector including biotech and pharma companies, universities, research councils, research

institutes, regulatory authorities, investors and academic.

We advise on:

Corporate finance: from start up to IP and thereafter, we provide practical, no-nonsense advice at all stages of the funding cycle.

Intellectual property: we ensure our clients' intellectual property rights are properly secured and protected and advise on all aspects of exploitation and enforcement.

Dealmaking: We advise on deals and partnerships of all types, including mergers and acquisitions, joint ventures, collaboration agreements, in- and out-licensing, manufacturing, supply, distribution and marketing deals.

Regulation: We advise on all aspects of UK and EU regulation of pharmaceuticals and medical devices, and on health and safety laws, competition law, parallel imports, internet marketing and data protection.

For further information please contact Patrick Baddeley, Chris Shelley or Jim Kinnier Wilson on 01865 722106.



financial

how the changes may impact your business

Whilst it is critical that financial reporting never governs commercial decision making, it is important to have sufficient awareness of accounting conventions to ensure that the contractual arrangements you enter into will have the impact on your reported results that you expected.

The pace of change currently occurring within financial reporting, is the biggest ever experienced.

UK Standards are

converging with International Standards and listed companies are required to be fully compliant with International Financial Reporting Standards (IFRS) from 1 January 2005.

So, what does this mean for biotech companies? It means that what you thought may have been the correct treatment may no longer be the case.

A flavour of some of the reporting changes that may impact biotech companies:

1 Revenue Recognition

There is increased guidance on when revenue can be recognised. For example, the receipt of milestone payments for research and development; historically may have been recognised on receipt of cash. In the current reporting environment, recognition will be based on meeting your contractual obligations and securing the right to be paid. This could mean that the milestone payment is released and matched to costs over the research period or deferred until the research reaches a particular stage. Similar issues need to be considered when negotiating licensing and marketing rights.

2 Research & Development Costs

Under UK accounting rules, once you meet certain criteria, you have the choice as to whether you continue to expense research and development costs or capitalise them. Under IFRS you will not have a choice. If you meet the specified criteria you will have to capitalise such costs and carry out an annual impairment exercise. For most drug-discovery businesses the earliest these costs are likely to be capitalised is following stage III clinical trials and once regulatory approval is applied for.

3 Share Options

The current reporting for share options recognises the “intrinsic value”, being the difference between the market price and the price paid for the option, over the vesting period. From 1 January 2006 and under IFRS reporting requirements this will change to recognising the difference between fair value and option price, over the vesting period. This calculation involves sophisticated financial modelling and will introduce the potential for much greater volatility into your reported results. It will be important to start quantifying the potential impact on your results as soon as possible.

reporting

4 Segmental Reporting

Under current UK GAAP, segmental reporting has not been particularly rigorous. The requirements of IFRS will require analysis in far more detail and may well mean you have to provide this information on more segments than previously.

View Points

Grant Thornton UK LLP play a vital role in advising their biotech clients, guiding them through the myriad of reporting requirements and ensuring they receive the business advice necessary to ensure there are no 'surprises'.

Grant Thornton offer quality advice based on in-depth knowledge of the biotech sector. Our clients include...



Our technology team provides a complete range of services for technology businesses and their stakeholders, at every stage of the business cycle, including:

- business and strategic advice
- corporate finance
- audit and tax compliance
- specialist tax advisory services
- accounting services
- capital markets
- risk management and internal audit
- private client services
- rescue and recovery

other member firms in over 110 countries worldwide, including the world's main technology centres.

- We offer quality advice based on in-depth knowledge of the biotech sector and our team is committed to supporting businesses in this area.
- We provide businesses with a tailor made package to suit their specific circumstances.
- We have an enviable track record of working with successful biotech companies at all stages of their lifecycle.

Grant Thornton 

For further details on how Grant Thornton can help your business please contact:

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conclusion

by **David Laskow-Pooley**
Chairman, Oxfordshire Bioscience Network

This report was specifically designed to look critically and provide a rigorous examination of the cluster, including the findings of the companies themselves, their thoughts and aspirations on the future.

For me, a self confessed optimist, the good news is that it shows a new pragmatism steadily developing through the industry, which has been growing over the last three years. However, this has not been easy since the “hype” in the 1990’s followed by the spectacular “bust” of the early 2000’s laid a rather barren waste from which growth has

been difficult. I would suggest a major driver for sustainability and growth has been the cluster itself, which has afforded enough self-protection and self-development to enable an environment for survival. The Oxfordshire Bioscience Network itself is an example of how this has helped, as during this time it has concentrated on the needs of the companies within the cluster. For example, the directory of companies and the information database provided by OBN has been restructured, closer relations have been developed with the companies represented by the network and credible sources have been

cultivated to ensure that information provided to the companies is of the highest integrity. Additionally, the strong links with the national industry bodies and with overseas bodies have been expanded to ensure that the cluster in the region is seen to have a true standing on a global stage.

The findings of this report make interesting reading and show that the cluster has maintained its spin-out record, despite

the added complications of Founders’ taxation fears. The cluster now has durability and most companies have survived the downturn, albeit in perhaps a slightly different form. It is recognized that the landscape does differ with the loss of Celltech/OGS, but the smaller companies remain. Expectations and realizations have also changed, and form part of the “pragmatism” mentioned above. The cluster has also matured and there are now more drugs “in the clinic” than three years ago.

What is clearly obvious is the belief that the central support and funding of the cluster and its companies remains a challenge. However, entrepreneurs are also natural survivors and by companies helping one another, trading services and resources, mentoring and collaborating together, the cluster will not only survive but will flourish into the future. OBN does and will continue to play its part in providing a vehicle for this.

Our thanks go to the companies who helped in the compilation of the report, to the sponsors, those who have assisted in its development and to Alex Haworth for all her efforts that have made it a reality.





Green Biologics Limited is an Oxford based industrial biotech company. Formed in 2003, technical development has been principally funded through the return on contract research; the Company is both revenue generating and profitable.

GBL has developed a unique, extensive and proprietary collection of high temperature micro-organisms and thermostable enzymes (HI-TEMP™ platform) to address a range of environmental, industrial and pharmaceutical applications.

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