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ISIS
I N N O V A T I O N

TECHNOLOGY TRANSFER FROM THE UNIVERSITY OF OXFORD

Annual Report 2006

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£2.9m

Sales Turnover



CHAIRMAN'S INTRODUCTION



Bernard Taylor

Isis Innovation Ltd's strong business performance, presented in this Annual Report, shows Isis as a leading technology transfer organisation, commercialising research from one of the world's strongest Universities.

Isis is the University of Oxford's wholly-owned technology transfer company. Isis manages the commercialisation of the University's intellectual property portfolio, working with University researchers to identify, protect and market technologies through licensing, consulting, material sales and the formation of spin-out companies.

Isis is well regarded and an increasingly important part of the University's interactions with business and organisations outside Oxford. Isis works closely with the other parts of the University involved with business and entrepreneurship, including Research Services, Oxford Science Enterprise Centre, and Begbroke Science Park, which together comprise the Oxford Model for Innovation. At its core, Isis works to support Oxford's researchers as they seek to apply and commercialise their work. Isis' role within the Oxford Model for Innovation is well established, and bearing strong results.

Isis is wholly owned by the University and the absence of external shareholders ensures that we avoid any conflicting objectives. In this way Isis concentrates exclusively on the interests of the University, both financial and otherwise.

In addition to its technology transfer activities, Isis is working with the University to create a substantially enhanced small company asset management capability, which will help develop value for the University from its shareholdings in spin-out companies.

All the Isis employees have worked very hard throughout the year, and I want to thank them for this work and for their continuing commitment to the success of Isis. The three Project Groups of Physical Sciences, Life Sciences, and Business Innovation & Consulting, have all performed well, with excellent support from the central administration and the legal team. Isis Enterprise has completed its first full year of operations, providing technology transfer consulting expertise and advice to clients in the UK, Europe and further a field.

I look forward to Isis' continuing growth and success during the year ahead.

Bernard Taylor, Chairman

£1.2m

Invested in patenting Oxford University inventions

» DIRECTORS REVIEW OF THE YEAR



Tim Cook

Business Summary

In the twelve months to March 2006 Isis Innovation achieved sales of £2.9m (2005: £2.7m), spent £1.2m on Oxford University patents (2005: £1.2m), and returned £1.4m (2005: £1.3m) to the University for distribution as royalty shares and consultancy earnings.

New Business came from:

- » 45 licence, option and material sale agreements
- » 59 consultancy and service agreements
- » 6 new spin-out companies
- » 22 Isis Enterprise technology transfer consulting contracts

In 2006 Isis delivered strong performance across all its business activities:

Patenting

Filing and maintaining patent applications is the principal way we protect University intellectual property before licensing out to existing companies or new spin-out companies. In 2006, we filed 57 new priority patent applications, adding to our portfolio of over 400 patent families (the term used to describe the international patents which derive from the first priority filing).

Licensing

Intellectual property rights protect the University research outputs which we commercialise. We then license-out access to these intellectual property rights, principally patent rights, to companies who invest in developing and selling products in a timely and ethical manner. We are managing over 200 licence agreements with commercial partners.

Spin-outs

In 2006 we helped researchers establish six new businesses, developing business plans, attracting experienced business managers, and raising investment finance from business angels and seed investors: Oxford Nanolabs, Oxford RF Sensors, Oxbridge Pulsars, Celleron, Oxford Catalysts, TdeltaS. We have extended our activities post-spin-out, supporting investors and managers as the companies grow, and providing a forum for the managers to share experiences and business contacts.

Material Sales

We are steadily growing our levels of activity in selling biological and physical materials developed in the University's laboratories. We signed seven agreements for the sale of antibodies and protein complexes. Materials suitable for sale are those which already exist in labs, or those frequently produced in surplus through regular experimental procedures.

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New invention disclosures

Consultancy

The breadth and depth of research and scholarship at Oxford is quite exceptional. Through Oxford University Consulting which is a division of Isis, we help Oxford researchers find consulting opportunities and help businesses and institutions find experts to solve business issues such as solving technical problems, investor due diligence and expert witness work.



Isis Enterprise

Isis Enterprise sells consulting expertise in technology transfer to universities and research institutes other than Oxford University. Isis Enterprise is now an established division of Isis; we have developed a range of consultancy products as well as working with clients on one-off projects.

Isis Angels Network

The Isis Angels Network was established in 1999 to provide a co-ordination and support service for private investors interested in Oxford spin-out companies. The network has steadily expanded and now includes investors from the worlds of seed and venture capital, private equity and, of course, business angels.

Oxford Innovation Society

The OIS remains a central part of all our business activities. Three times a year we hold flagship events bringing together those committed to supporting Oxford technology transfer. This year the academic lectures at the events were given by Professor Steve Rayner of the Said Business School on "Science In Society"; Professor Allen Hill of the Chemistry Department on "Biosensors: For Glucose, Cholesterol and ..." and Professor Kay Davies of the Human Anatomy & Genetics Department on "Challenges of therapy for the Muscular Dystrophies". We are grateful to the sponsors of the three events, SEEDA, East Hill Management, and BTG plc.

Dr Tim Cook, Deputy Chairman

Tom Hockaday, Managing Director

£1.4m

Returned to University for distribution

» EXTRACTS FROM AUDITED ACCOUNTS

Turnover
£2.9 million



- Income from projects
- Patent costs repaid by licensees
- Consulting
- Oxford Innovation subscriptions
- Isis Enterprise
- Other

Cost of sales
£2.6 million



- Distributed to University
- Patent spend
- Other direct costs

Profit and Loss Account¹

Year to 31 March

	2006	2005
	£	£
Turnover	2,892,497	2,717,813
Cost of Sales	-2,625,166	-2,497,535
Gross Profit	267,331	220,278
Administrative Expenses	1,809,132	1,664,111
Other Operating Income ²	1,412,184	1,708,242
Operating profit / (loss)	-129,617	264,409
Other interest receivable	41,752	31,107
Deed of covenant paid to University of Oxford	0	-31,107
Profit / (loss) on ordinary activities before tax	-87,865	264,409

Patent spend

The University provides Isis with £1.24m pa, which pays the direct costs of patents on University inventions filed by Isis. This expenditure is in Cost of sales and the income is shown under Other Operating Income.

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Open project files

Balance Sheet¹

Year to 31 March

	2006	2005
	£	£
Current assets		
Debtors	525,925	475,413
Cash at bank and in hand	795,176	1,150,263
	<u>1,321,102</u>	<u>1,625,676</u>
Creditors: amounts falling due within one year	<u>-841,177</u>	<u>-1,057,886</u>
Net assets / liabilities	<u>479,925</u>	<u>567,790</u>
Capital and Reserves		
Called up share capital	1,400,000	1,400,000
Profit and Loss account	-920,075	-832,210
Equity shareholders funds	<u>479,925</u>	<u>567,790</u>

Isis Innovation Limited is wholly owned by the University of Oxford.

Isis performance from 2000



1: A full set of accounts is available from Isis Innovation Limited

2: The reduction in Other Operating Income results from the reduction in the transfer to Isis under the University's Higher Education Innovation Fund government grant (2006: £150k; 2005: £446k)

3: The University distributes these sums to individuals and Departments according to its standard procedures.



BUSINESS ACTIVITY

*Selected examples
of Isis Innovation's
technology transfer
activities*

Non-invasive Prenatal Diagnosis

The development of safe non-invasive pre-natal diagnostic tests has been a long sought goal in medical diagnostics. In 1997 researchers in Oxford discovered the presence of cell-free foetal DNA in maternal plasma and serum. The broad patent was recently granted in the US and in Europe. **Sequenom**, based in San Diego California, has signed an exclusive licence for the technology for wide application e.g. Downs syndrome.

Technical Due Diligence

Oxford University Consulting, part of Isis, offers a service to investors to provide an impartial evaluation of the technology behind a business plan, carried out by Oxford University researchers. Leading UK venture capital firm **MTI Partners** accessed this expertise: "OUC found a consultant with the right expertise. It really helped inform our investment decision, and to bring other investors on board. Due diligence on the science is just as important as the due diligence on the finances and IP."

Use of Dendritic Cells in Vaccine Delivery

In March 2006 **Geron Corporation**, entered into licence and research agreements for technology describing a method for generating dendritic cells from human embryonic stem cells. The technology has applications in human embryonic stem cell based therapies that are being developed by Geron for heart failure, diabetes and spinal cord injury, as well as for next-generation versions of Geron's cancer vaccine.

Non-contact sensors for wide-ranging applications

Oxford RF Sensors Ltd was spun-out from the University's Department of Physics in June 2005 with a first round investment from IP Group. The RF Sensor technology is an enabling non-contact sensor technology that can detect any substance that has magnetic or electric properties; measuring speeds from DC to 1GHz, at temperatures to 1000C. The technology can also be used to measure fluid condition, including contamination of fluids, particulates in fluids and changes to fluid composition. The technology is attracting interest from a wide range of customers, including in the automotive and aerospace sectors.

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New technology licence deals

Four Oxford spin-outs are now listed on the London Stock Exchange AIM market

VASTox plc

VASTox is a drug discovery biopharmaceutical company that combines specialist chemical genomics technologies with synthetic and medicinal chemistry expertise. VASTox offers a range of cutting-edge discovery services to the pharmaceutical and agrochemical industries. The company raised £15m when it listed on AIM in October 2004.

www.vastox.com

Oxonica plc

Oxonica is a leading European nanomaterials company with products already launched into international markets. Oxonica develops innovative commercial solutions for international markets using their expertise in the design and application of nanomaterials. Oxonica floated on AIM in July 2005, raising £7m.

www.oxonica.com

Celoxica plc

Celoxica makes software that speeds up the operation of semi-conductors by putting software directly onto silicon. The company successfully floated on AIM in October 2005, raising £6m. Celoxica creates technology at the centre of advanced digital product design, from imaging, consumer electronics and high performance computing (HPC), to automotive, bioinformatics, communications, and defence.

www.celoxica.com

Oxford Catalysts Group plc

Oxford Catalysts focuses on developing specialty catalysts with particular application in the generation of clean energy and clean fuels from fossil fuels and certain renewable sources. The company was floated on AIM in April 2006, raising £15m. Oxford Catalysts develops carbide based catalysts for GTL (gas-to-liquid) and CTL (coal-to-liquid) processes, for the generation of syngas from hydrocarbon fuels, and for the removal of sulphur from hydrocarbon fuels. A second catalyst technology platform has delivered catalysts for generation of hydrogen-on-demand for fuel cell applications, and generation of high temperature steam-on-demand.

www.oxfordcatalysts.com

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New consultancy agreements



Isis Enterprise offers consulting expertise and advice on technology transfer, based upon the experience gained within Isis Innovation of managing technology transfer at Oxford and the experience of Isis staff in other universities and institutions.

Isis Enterprise was established as a division of Isis Innovation in December 2004 to help governments, research institutes and universities (other than Oxford University) develop their technology transfer activities on an international basis. Technology transfer is the process of managing research expertise and intellectual property and their commercialisation.

Isis Enterprise hosts client's staff in Isis to learn about the details of our operations and our culture and approach to technology transfer. We travel to clients to help them assess their existing policies, structures and resources. We advise on strategic institutional issues and specific technology projects. Isis Enterprise has developed generic consulting products as well as client specific offerings.

Isis Enterprise has now won 22 contracts. Our established contracts with the UK's Natural Environment Research Council (NERC) and Oxford Brookes University continue; as do our contracts across Europe, often supported by EU funding.

Isis Enterprise has worked with clients across the globe: Australia, Belgium, Czech Republic, Denmark, Holland, Hungary, India, Italy, Kenya, New Zealand, Norway, Poland, Spain, Sweden, and Uganda.

We present to international visitors from across the globe at least once a week: governments, universities, ambassadors, royalty, prime ministers, mayors, MEPs, journalists, and investors.

Isis Enterprise is set to grow even further next year. We believe the opportunity for working with clients to share the technology transfer knowledge and experience we have accumulated at Oxford is substantial.

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New priority patent applications filed



DIRECTORS

Chairman Mr Bernard Taylor

Deputy Chairman Dr Tim Cook *from 1 April 2006*

Managing Director Mr Tom Hockaday *from 1 April 2006*

Non-Executive
Directors

Professor John Bell	<i>Regius Professor of Medicine</i>
Professor Sir Mike Brady	<i>Professor of Information Engineering</i>
Professor Graham Richards	<i>Chairman, Chemistry Department</i>
Professor Raymond Dwek	<i>Head of Department, Biochemistry</i>
Professor Sir Gareth Roberts	<i>President, Wolfson College</i>
Dr Peter Fellner	<i>Chairman, Vernalis plc</i>
Mr Giles Kerr	<i>Finance Director, University of Oxford</i>
Mr Phil Smith	<i>Deputy Finance Director, University of Oxford</i>
Mr Nigel Keen	<i>Chairman, Oxford Instruments plc</i>

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Patent families owned by Isis

Isis Innovation Limited

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