



Annual Review | 1st August 2006 – 31st July 2007

cambridge **enterprise**
commercialising University science

Commercialising University science
for the benefit of society, the UK economy,
and to provide a fair return
to the inventors and the University.

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 UNIVERSITY OF
CAMBRIDGE
800 YEARS
1209 ~ 2009

Chief Executive's Overview



Creating a strong foundation

This year Cambridge Enterprise has been about making changes to create a strong foundation. We have embraced a new policy, new management, a new organisational structure and new relationships with the University, while at the same time maintaining solid performance. Sixty licences, 95 consultancy contracts and 12 investments were closed, and Cambridge Enterprise assumed the management of a portfolio of shareholdings in 72 companies held by the University or its affiliates. The income from technology and knowledge transfer was £6 million, of which £5.3 million (88%) was returned to University academics and departments.

We began upgrading our internal systems and operations to build a stronger foundation for Cambridge Enterprise's work in service of the University. This work continues and will make a positive visible difference as the organisation develops, transforming a *good programme with a great brand into a great programme with a great brand*.

As 2006/07 was about capacity building and strengthening the current portfolio, in 2007/08 efforts will be expanded to improve the pipeline of new ideas and to develop a robust future portfolio which will benefit society, the economy, inventors and the University. As the focus for this year was *creating a strong foundation based on a new policy, organisation and relationships*; a top priority for 2007/08 will be to secure the resources needed to ensure that Cambridge Enterprise fulfils the objectives set by our shareholder, the University of Cambridge.

With gratitude to the Cambridge Enterprise team and all the individuals and organisations who have supported our evolution and resulting performance,

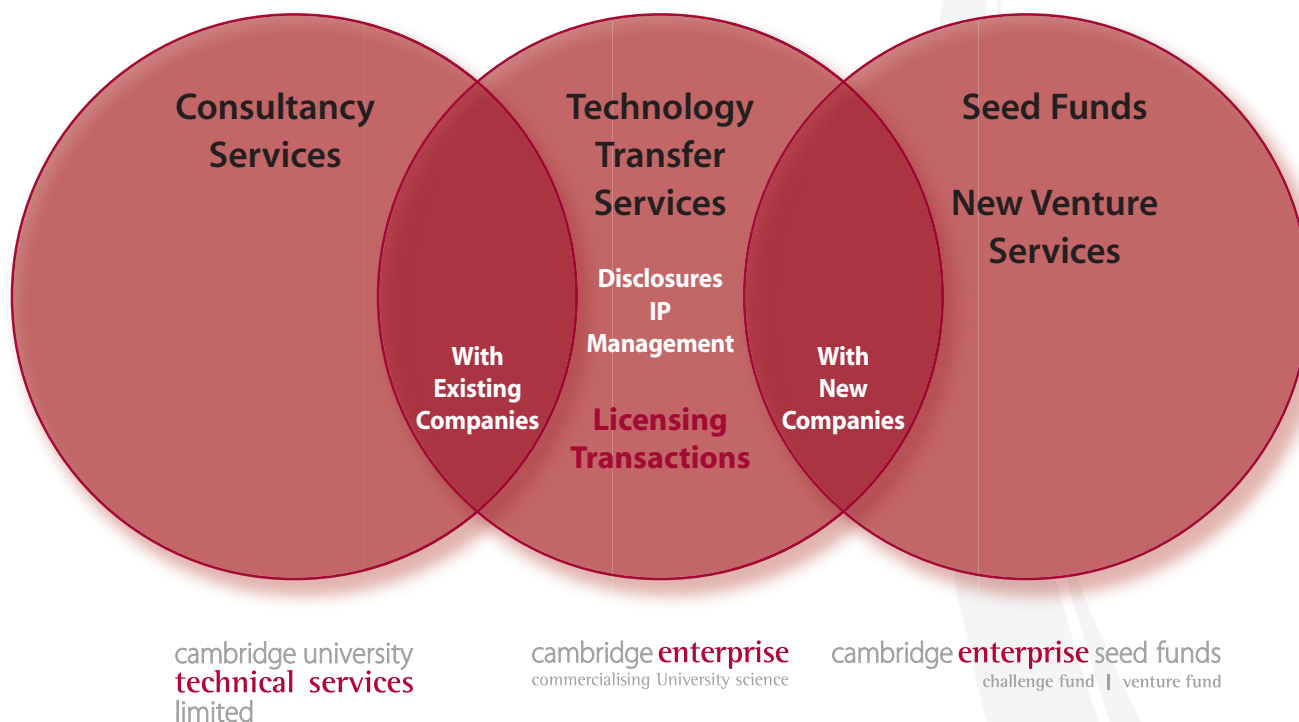
A handwritten signature in red ink that reads "Sir F. Willey". The signature is written in a cursive, flowing style.

Cambridge Enterprise – Goals

... are to take the most promising ideas forward through IPR licensing, new venture creation and consultancy by:

- building *strong relationships with University academics* to encourage disclosure and cooperative management of the most promising innovations;
- making *significant, measurable progress toward financial sustainability* to drive long term benefits to academics, Departments and University;
- being an *attractive partner for industry and investors* to take University ideas forward through commercial channels.

Cambridge Enterprise



Cambridge Enterprise delivers its mandate by working in three overlapping areas:

1. Technology Transfer Services:

Includes invention disclosure management; patent strategy, filing and maintenance; proof of concept funding; research reagents transfer; intellectual property licensing and bespoke marketing.

2. Consultancy Services:

Includes support for University of Cambridge staff and research groups wishing to provide expert advice or facilities to public and private sector organisations worldwide. This includes negotiation of contract terms, assistance with costing and pricing, formal arrangements for use of University facilities, invoicing, debt collection and income distribution. In addition, academics may benefit from the University's Professional Indemnity and Public Liability insurance policies.

3. Seed Funds and New Venture Services:

Includes access to capital and expertise via Cambridge Enterprise Seed Funds, Cambridge Enterprise Venture Partners and local angel investors, business planning, mentoring, surgeries and related programmes.

Finance & Operations and Marketing teams provide support to all three business units.

Performance Indicators

Improved performance in the face of change

Ultimately performance should be measured by the positive impact of Cambridge ideas on the world. Our programmes support the University in this mission when those ideas might be best made available to the public through commercial channels. Our performance indicators reflect technology transfer as a long-term effort – ideas considered this year for commercialisation and intellectual property protection represent potential products and revenue streams in 5 to 15 years time. Achieving the right balance between building for the future and managing current assets is critical to the support we provide to the University. For example, the signing of a consultancy contract is indicative of the need for the transfer of knowledge to the contracting company and the receipt of fees is confirmation that the transfer has taken place. In building the portfolio for the future, the signing of a licensing agreement or securing equity indicates success in finding a partner to commercialise the idea and represents a commitment on behalf of that partner to take the idea forward through commercial channels. In managing the current portfolio, receipt of invention-related income in the form of royalties is not only indicative of good post deal management but importantly, as in the case of much of our royalty stream, that there are products for patients addressing previously unmet patient needs.

118 new inventions disclosed

44 UK or US priority patent applications filed

60 licence agreements signed

103 new consultancy projects initiated

95 consultancy agreements signed

12 companies invested in representing £750,000 of investments

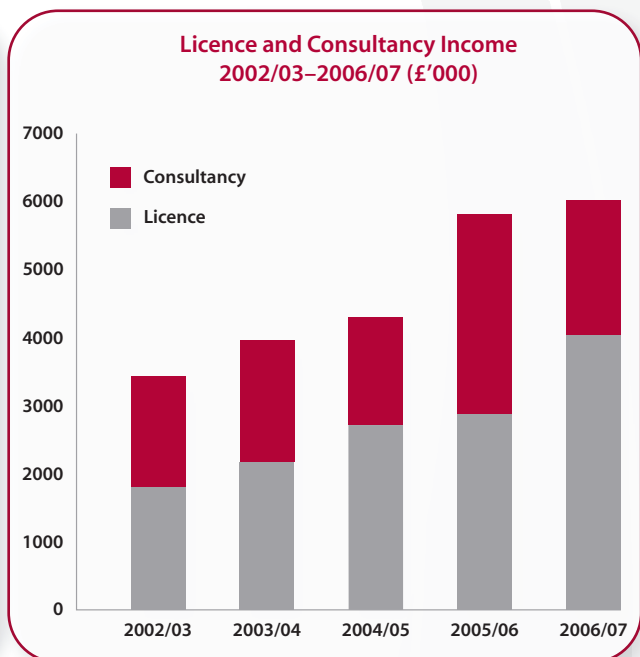
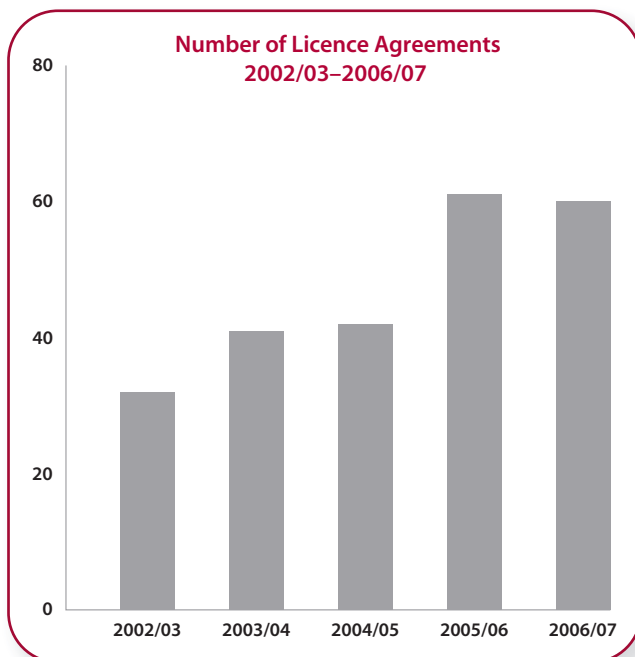
4 equity realisations from portfolio

72 companies in which Cambridge Enterprise holds equity

341 active licence agreements in a growing portfolio of assets

£6 million in knowledge and technology transfer income

88% income returned to University of Cambridge academics and Departments.



Intellectual Property Licensing

Building partnerships to commercialise important discoveries

Effective distribution of the results of research and scholarly activities for public benefit is a traditional academic mission. For certain ideas commercial channels may be the best means to achieve this. Cambridge Enterprise is able to use the licensing of patents to companies as a key tool in supporting this mission.

The technology transfer team at Cambridge Enterprise works closely with University academics to evaluate the commercial potential of their research results, to deploy patent and proof of concept resources, and to structure appropriate agreements to put the most promising ideas in the best position to be commercialised. Cambridge Enterprise works primarily with technology for which patent protection is necessary to encourage commercialisation. Sometimes a new company is the most appropriate licensee, and in fact many of our licensees are small companies and some are spin-outs that Cambridge Enterprise has helped to create.

During 2006/07:

- 60 new licences were added to the portfolio bringing the total to 341 active licence arrangements
- 95% of the licences in the portfolio generated income, 17% generated on-going royalties and 1% generated significant income. 5% of the licences in the portfolio are to research institutions for which no fee is charged
- £4 million in licensing income was earned of which £3.4 million was returned to academics and departments under one of the most generous distribution policies in the world
- The primary source of licence income was from royalties on sales of products. Other sources of licence income included fees, milestone payments and equity realisations when equity was included in the licence terms.

Licences are important performance indicators as they reflect market interest in the idea or invention. Licensing arrangements are as unique as the idea itself, but they all share some common characteristics. For example, the products being developed under the licence are usually high risk and may take several years from the time the idea is licensed until it is embodied in a product.

Cambridge Enterprise 7 Principles

1. Accept cases into the portfolio with the strongest potential to make a significant positive impact and where using commercial channels is the most reasonable means to carry the idea forward.
2. Take the course which supports commercialisation of the technology and work creatively to add value (or de-risk) the technology through the use of patent, proof of concept and evaluation and assessment resources.
3. Work effectively with inventor(s) to support their aspirations, manage conflicts and encourage synergy with the mission of the University.
4. Find the best partner (licensee or start-up senior management and investors) to take the idea forward.
5. Negotiate fair and reasonable terms which reflect the contribution of the assets and expertise being transferred.
6. Negotiate and close the greatest number of the best possible deals.
7. Look after the deals once they are closed to encourage commercialisation and optimise returns.

Life Sciences



New ideas new deals

Trends

To ensure that licensing opportunities are of the highest quality, we are constructing more comprehensive licensing packages which include proof of concept data, technical materials, know-how and market insight.

This increases the likelihood of achieving a positive commercial outcome, increases the value of deals negotiated and provides better public benefit.

45 Life Sciences licences concluded this year and included:

- Licence to Medarex for a new target for the treatment of cancer and Crohn's disease
- Licence to Perlegen for breast cancer markers generated through collaboration between Cancer Research UK, Perlegen and the University of Cambridge
- Licence to Cell Analysis to develop a diagnostic for Scrapie with potential for other transmissible spongiform encephalopathies (TSEs)
- Licences to Santa Cruz for 24 antibody reagents

Spin-outs and Licensees

Some of the most promising spin-out companies are also licensees. The Cambridge Enterprise team continues to provide strong support to spin-out companies working actively to manage on-going technology transfer. This is well exemplified by six options which were signed with **Psynova Neurotech Ltd** which has been developing novel biomarkers for neuropsychiatric and other illnesses. Additionally three new licences were signed with **Smart Holograms Ltd** which is working on innovative sensor technology used in the advancement of disease diagnostics and management.

Research Reagents

In addition to licensing inventions, Cambridge Enterprise is also involved in negotiating and managing contracts to distribute a growing portfolio of research reagent quality materials such as: cell lines, antibodies, DNA constructs and proteins. There are over 70 reagents in the portfolio and with a dedicated member of staff there is now an improved service available to academic and commercial clients.

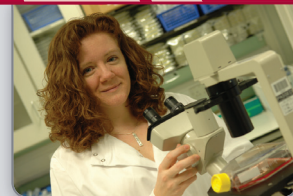
UK's Most Entrepreneurial Scientist

The Life Sciences team was delighted to nominate Professor Chris Lowe for the accolade of Most Entrepreneurial Scientist in the UK. Professor Lowe won this award, organised by UKSEC (now Enterprise Educators UK) and Science Alliance. Professor Lowe is Director of the Institute of Biotechnology, has been responsible for eight University spin-out companies including Smart Holograms Ltd and Psynova Neurotech Ltd and is an Enterprise Champion.

Case Study

Antibiotics with extra strength

Academic and industry liaison is very important. A good example of this is Dr David Brown and



Dr Amanda Stuart from the Department of Pathology collaborating with Dr Adrian Mockett from ECO Animal Health Limited to develop a new approach to treating a range of viral diseases. Adrian and David were studying the uptake by cells of ECO Animal Health's proprietary macrolide antibiotic, Aivlosin. The chemical properties of the drug suggested that the efficient concentration of the drug in cells was dependent on its sequestration in endosomes and lysosomes; a consequence of this would be the raising of pH in these compartments. Meanwhile Amanda and David were pursuing their interests in viruses that depend on the low pH in endosomes for cell entry. The two strands were brought together when Adrian mentioned anecdotal field evidence that Aivlosin was beneficial in the context of Porcine Reproductive and Respiratory Syndrome (PRRS), a syndrome involving infection with the PRRS virus. A possible antiviral mechanism for an antibacterial drug immediately sprang to mind.

David and his colleague Amanda conducted preliminary experiments that supported this idea and provided the data for a preliminary patent application. The patent is jointly owned by Cambridge Enterprise and ECO Animal Health and has been the basis of further interactions between the company and the University. ECO Animal Health have signed a licence to commercialise veterinary applications and to fund further work in David's lab in the Department of Pathology. It is hoped that this work will eventually have implications for human as well as animal health.

Physical Sciences



Building long term relationships

Innovative materials for innovative companies

Two innovative materials from the Department of Materials Science and Metallurgy have been licensed to new companies to facilitate their commercialisation. A method for making carbon nanotube fibres which are much stiffer and stronger than existing ones has been developed by a team led by Professor Alan Windle, and will be developed by Q-Flo Ltd, a spin-out from the University. Professor Bill Clyne and Dr Athena Markaki,

with funding from the Cambridge MIT Institute (CMI), have produced a technology for making light, strong, stainless steel sheets. One of the partners in this project, UK firm FibreTechnology Limited, has formed a new company to develop the technology and markets for these new materials. FibreTechnology Limited is part of the Dynamic-Materials Group.

15 Physical Sciences licences concluded this year

Some of the most promising licensees are also early stage companies. Metalysis Ltd and Plastic Logic Ltd have raised significant funding this year. Metalysis' technology has the capability to produce high quality speciality metals (especially tantalum, titanium and high grade alloys) from metal oxide with a significantly lower environmental impact and at lower cost than traditional methods of production. Plastic Logic will be producing a new generation of flexible displays, known as 'electronic paper displays' to facilitate entirely new applications, such as electronic books and electronic newspapers.

Spin-outs and Licensees

The market for medical diagnostic and analytical equipment is steadily growing. There is a drive to mechanise and miniaturise procedures, resulting in the need for precision delivery of microlitres of fluid samples. Microreactors are also becoming more common – miniaturised devices in which chemical transformations are performed in defined volumes under precisely controlled conditions. A microcapillary film technology that supports both these markets has been developed by Professor Malcolm Mackley and Dr Bart Hallmark of the Department of Chemical Engineering. They have developed an innovative technique for producing accurately dimensioned flexible and continuous microcapillaries in polymeric materials that can be customised into various arrays. The technology is being commercialised by a company called Lamina Dielectrics who intend to sell the technology as an interconnector for medical and analytical equipment.

Case Study

Industrial software success



Granta Design Limited's information technology helps leading engineering enterprises to manage, analyse and apply business-critical information about materials. *Granta* ensures that a company's technical, economic, and environmental data about metals, plastics, composites and ceramics is up to date, accurate, easy to find, and that its pedigree can be traced. *Granta's* tools use this data to assist vital design decisions. The results are enhanced innovation, improved productivity, and reduced risk in sectors such as aerospace, energy, automotive, and medical devices.

Granta originates from a collaboration, begun in 1986, between Professors Mike Ashby and David Cebon. The first licence was put in place through Lynxvale Limited, a forerunner of Cambridge Enterprise Limited. The founders and the University held equity, and *Granta* was incubated in an attic room in the Engineering Department, with support from the University's Wolfson Industrial Liaison Office. *Granta* first targeted engineering education. This market remains important with *Granta's* CES EduPack now used at 600 universities worldwide.

Industrial applications took off in 1999 and were reinforced with the appointment of experienced entrepreneur Dr Patrick Coulter as COO and investment from ASM International, the world's largest professional society for materials engineers. The GRANTA MI materials information system was developed with industrial partners through collaborative projects such as the Material Data Management Consortium, a group including NASA, Boeing, Rolls-Royce, Honeywell, and GE – Aviation. GRANTA MI is becoming an industry standard platform, and *Granta* the acknowledged materials information technology experts.

www.grantadesign.com

Seed Funds



Investing to attract investment

Cambridge Enterprise Seed Funds has two funds which have actively invested since 1994: the University of Cambridge Venture Fund and the Challenge Fund. In combination, the two funds have invested in over 30 businesses. Sales from the current portfolios have generated returns which are used for re-investment.

The Cambridge Enterprise Venture Partners programme was launched this year to encourage early stage syndication and access to capital for University spin-outs and start-ups. This group of venture capitalists and business angels meet three times a year for a dinner at one of the Cambridge colleges, providing an ideal forum at which investment-ready University of Cambridge companies pitch to the members.

The steps to investment

- preliminary meeting between the fund staff and the academic founders
- presentation to the Cambridge Enterprise Investment Committee
- recommendation of the staged investment against agreed milestones. The total investment in any one project is typically limited to £250,000

Highlights this year:

- **16 proposals** have been reviewed and Cambridge Enterprise Seed Funds has provided Pathfinder (proof of concept) awards of more than £18,000 to assist in determining the commercial feasibility of proposed new ventures
- **12 equity investments** were made including Sentinel Oncology, Psynova Neurotech, CellCentric, Genapta, Inotec AMD and Camfridge
- **£750,000** was **invested** in new companies
- **72 companies** in Cambridge Enterprise equity portfolio
- **4 realisations** were achieved from holdings in Solexa (acquired by Illumina Inc), BioFocus (acquired by Galapagos NV), KuDOS Pharmaceuticals and Paradigm which was sold via the Avlar Biotechnology Fund in which Cambridge Enterprise has a holding
- **£70 million total external funding** has followed our cash investments in our portfolio companies.

Case Study

Camfridge – Cooling the world

An amazing 40% of the world's generated electricity is used in summer for cooling. *Camfridge Limited*, a spin-out company from the University of Cambridge's Cavendish Laboratory (Department of Physics) and Department of Materials Science & Metallurgy, will shortly demonstrate a prototype fridge with an increase in efficiency of up to 50% over conventional fridges.



How can we combat global climate change? One way is by migrating from conventional 50 year old compressor-based cooling technologies which contain gases that directly cause global warming to *Camfridge's* solid state magnetic fridge that consumes less energy and eliminates environmentally polluting constituents.

Funded by Cambridge Enterprise Seed Funds, National Endowment for Science, Technology and the Arts (NESTA), Cambridge Capital Group, a group of business angels and the Carbon Trust, *Camfridge* is a market led company that is interested in collaborations with world-leading manufacturers of white goods.

www.camfridge.com

Practical Support for New Ventures

The University's past and present members represent a fertile resource for conceiving, growing and realising the value of new knowledge-based technology businesses.

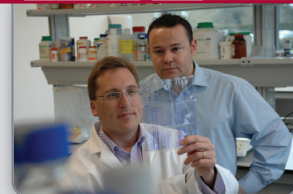
Cambridge Enterprise supports new ventures in a number of ways, which include:

- **Advice** provided to companies on a one-to-one basis (17 companies in 2006/07)
- **Surgeries** which are held on a weekly basis during November–March to connect knowledge-hungry entrepreneurs with experts from particular sectors such as patenting, venture capital and marketing. Over 50 free and confidential sessions were held in 2006/07 and provided a real boost for cash-strapped entrepreneurs who might normally have to pay high rates for this advice
- **Mentors** who typically possess 20–30 years of relevant industry experience and provide advice directly to individuals and small companies
- **Mentoring Breakfasts** which provide an opportunity to stimulate debate about the best course of development for nascent ventures. Mentors and local 'angel' investors gather at these breakfast meetings to hear from academics and students and then discuss these new business ideas as a group. The discussions often provide the entrepreneurs with a variety of viewpoints which can help form a strategy on how to best commercialise their idea
- **IdeaSpace** for short-term lets on campus. This is available for companies founded by University members and is co-located with Cambridge Enterprise at the William Gates Building. In 2006/07 there were ten tenants, two of whom departed for larger premises. Tenants included OrthoMimetics, Hypertag and Margo. During the year the companies that were housed raised funding of over £5.6 million.
- **Support for Student Involvement** in enterprise activities. Cambridge Enterprise staff provided support to the Cambridge University Entrepreneurs business plan competition and the i-Teams programmes which encourage student involvement in commercialisation of University ideas. During the course of the year over 140 students took part in the Cambridge University Entrepreneurs business plan competitions and 92 students and academics attended the Cambridge University Technology and Enterprise Club annual conference. Cambridge Enterprise is also a member of the University of Cambridge's Enterprise Network, which includes various organisations involved in enterprise and innovation activities within the University. These organisations can help students and academics to bring their ideas and inventions to market, learn from the experiences of successful entrepreneurs and investors, access business plan competitions and see what is happening in the high-tech business community in and around Cambridge. The network organises meetings of groups involved in supporting enterprise and innovation, provides an online resource for sharing information between groups, runs an online calendar for entrepreneurship events and manages a wiki www.enterprisenetwork.group.cam.ac.uk.

Case Study

Horizon Discovery

Horizon Discovery is providing drug discovery researchers with key missing genetic-based tools to accelerate the search for new and more effective 'targeted' or 'personalised' drugs.



Central to this aim is *Horizon Discovery's* offering of genetically-defined 'isogenic' cell-lines, which represent accurate laboratory based models of human genetic diseases and their matched normal cell-types. These cellular models will help speed up and reduce the cost of discovering novel 'personalised' drugs that better target the fundamental causes of diseases such as cancer.

Cambridge Enterprise Seed Funds is supporting *Horizon Discovery* with a convertible loan, which has enabled the company to acquire key technology from the University of Washington, and to close a first supply contract with one of the top five US biotech companies.

Horizon Discovery has gone on to forge relationships with several other global pharmaceutical companies and will start participating in a major academic consortium-led project funded by Cancer Research UK (CRUK) in 2008 to discover novel cancer targets and drug candidates using isogenic cell-lines and other cutting edge cell-based technologies.

www.horizondiscovery.com

Consultancy Services

Sharing Cambridge knowledge with the world

Cambridge Enterprise provides a service to academics enabling them, if they choose, to channel any consultancy projects they propose to undertake through Cambridge University Technical Services Limited (CUTS), a wholly owned subsidiary of Cambridge Enterprise Limited. The Consultancy team at Cambridge Enterprise takes great care in seeking to understand and assist both the academics who are undertaking the consulting project and the client organisations, so that the aims and expectations of any project are aligned and understood by all. No two projects are the same. Demand for this

service has grown and Cambridge Enterprise has seen a 16% increase over last year in terms of consultancy agreements signed.

Client organisations are spread across the globe. Predominately in the UK and Western Europe, University academics have been carrying out consultancy services through CUTS for organisations in the USA, Japan, China, Taiwan, Singapore, Saudi Arabia, the United Arab Emirates and Australia.

Highlights

- 103 new consultancy projects initiated
- 95 consultancy agreements signed
- 16% increase in consultancy agreements signed over last year
- £2 million consultancy income earned

Consultancy is an important conduit for industry and government to interact with the University, drawing upon the research and expertise of academics for dissemination and application of knowledge in the public and private sectors. The highly varied nature of the clients is illustrative of this, ranging from Cambridge-based SMEs to large international corporations, and from local government bodies to national government departments.

On the supply side, the expertise being offered comes from across the University – from individuals working in the Department of Engineering to others from the Centre for Brain Repair, from the Judge Business School to the Department of Architecture, and from the Department of Social Anthropology to the Computer Laboratory. CUTS actively assists individual academics to disseminate their ideas to society and their range of expertise is exceptional.



Marketing

Supporting all three businesses: technology transfer, consultancy and seed funds

This is achieved through:

- proactively marketing innovations available for licensing through articles and press releases
- communicating the benefits of using the consultancy services
- public relations to create value in companies in the Cambridge Enterprise portfolio.

Building relationships and raising profiles is facilitated by alerting the commercial and investment communities of technology breakthroughs and company milestone achievements. This type of activity is supported by a range of events, such as the Investors' Forum held in November 2006 which featured 10 young companies originating from the University of Cambridge and attracted over 30 investors.

Cambridge Enterprise works alongside other departments on a number of collaborative projects. One such example is a short series of **IP Policy Briefings** held in Cambridge in autumn 2006 by Cambridge Enterprise, Research Services Division and the Pro-Vice-Chancellor for Research and sponsored by commercial partners. The IP Policy Briefings explained the IP and technology commercialisation processes, how Cambridge Enterprise and Research Services Division fit into these processes, and how academics and industry can work with the University of Cambridge. Cambridge Enterprise has continued to work with Research Services Division on the **HORIZON seminar series**, now in its fifth year, bringing together academics and industry to highlight current and future research and technology areas.

BBC World Service featured excerpts from the **Life Science Mentoring Breakfast** held in March 2007. The focus was on locating the best markets for the innovations developed by the scientists. The breakfast was part of a programme centred on commercialisation of technology in Cambridge. The radio programme formed part of the '*Discovery: Science Hotspots*' series and was broadcast on 28 March 2007.



Enterprise Champions

Essential Communication to and from the University's departments

Cambridge Enterprise works with Enterprise Champions to:

- connect with academics in their departments who are interested in licensing of their ideas, starting a company or in consultancy activities
- gain advice on how to best reach and assist the academics in the department
- provide appropriate goals for Cambridge Enterprise to work towards in improving the services to University academics.

Enterprise Champions have a wide range of backgrounds. In addition to their departmental duties, their experience ranges from undertaking collaborative research with companies to commercialising new technology, starting companies, fund-raising and balancing the demands of academic research and business.

Acting as the first point of contact within their departments the Enterprise Champions help researchers, academics, and students with advice on commercialisation routes, obligations under University IPR policy and how to make the most of what Cambridge Enterprise has to offer.

The Cambridge Enterprise team work with the Enterprise Champions on raising awareness of Cambridge Enterprise services within the University and on new ways in which the departments and academics can be supported. Cambridge Enterprise welcomes the addition of Professor David Rubinsztein, Clinical Institute for Medical Research and Dr John Archer, Department of Genetics, both of whom joined the group in September 2007.

The Enterprise Champions are:

Biochemistry	Professor Peter Leadlay
Biotechnology	Professor Chris Lowe
Centre for Entrepreneurial Learning	Dr Shai Vyakarnam
Chemical Engineering	Mr David Carter
Chemistry	Professor Stephen Elliot
Clinical Institute for Medical Research (CIMR)	Professor David Rubinsztein
Clinical Pharmacology Unit	Dr Anthony Davenport
Engineering	Mr Philip Guildford
Genetics	Dr John Archer
Materials Science & Metallurgy	Dr Rachel Hobson
Mathematics	Mr Michael Simmons
Pathology	Professor Nabeel Affara
Pharmacology	Dr Tai-Ping Fan
Physics	Professor Mike Payne
Veterinary Medicine	Professor Duncan Maskell



“We’re a huge, diverse university and Enterprise Champions give colleagues a local link to find out more about consultancy or commercialisation.”

Michael Simmons – Transport Programme Manager
Centre for Mathematical Sciences, Wilberforce Road

Governance and Structure

Commercial activities in step with the University's mission

Cambridge Enterprise strives for excellence and integral to this is a commitment to utilising best practices in all areas of business, compliance and in transparency of financial information. Accordingly, Cambridge Enterprise is governed and structured to support and work in synergy with the University in third stream activities and supports research initiatives as they relate to consultancy, licensing of intellectual property and equity transactions. The relationship between the University and Cambridge Enterprise is defined by a Memorandum of Understanding (MOU) between them.

The Cambridge Enterprise Board of Directors has a fiduciary responsibility to its shareholder and reports to the University through the University Finance Committee. The Chief Executive of Cambridge Enterprise also reports to the Research Policy Committee of the University five times a year. The Board members are appointed by the University and include three members external to the University, three members internal to the University and three members of Cambridge Enterprise Limited (including the Chief Executive and Finance & Operations Director). The Director of Finance for the University of Cambridge is the shareholder's representative and observer to the Board. The University of Cambridge Registry is the Company Secretary.

The new structure provides greater transparency of financial information to facilitate decision-making. Improvement in efficiency arises from ongoing review of operational and support activities.

The members of the Cambridge Enterprise Board of Directors are:

- **Lord Roger Freeman** (*Chairman*)
- **Professor Chris Abell**, *Professor in Biological Chemistry*, University of Cambridge
- **Professor Sir Richard Friend**, *Cavendish Professor of Physics*, University of Cambridge
- **Professor Ian Leslie**, *Pro-Vice-Chancellor for Research*, University of Cambridge
- **Mr Charles Cotton***, an investor in and adviser to venture capital firms with a background in technology innovation
- **Dr J Nicola Nicholls**, a former scientist with a background in private equity
- **Ms Teri Willey**, *Chief Executive*, Cambridge Enterprise Limited
- **Ms Nicola Anson**, *Finance & Operations Director*, Cambridge Enterprise Limited
- **Dr Richard Jennings**, *Director of Technology Transfer & Consultancy Services*, Cambridge Enterprise Limited

* Joined the Board January 2008

Finance and Operations Team

In creating a foundation for excellent service to the University, our industry and investor partners and the academics we support, one of the most substantial changes during the year has been the attention to Finance, Operations and Governance. Much of Cambridge Enterprise's development in this year can be attributed to this team:

- Restructuring of Cambridge Enterprise and Cambridge University Technical Services (CUTS) to Cambridge Enterprise Limited including the creation of a new Cambridge Enterprise subsidiary to manage consultancy services activities (new CUTS), and working out the terms for, and signing of, an MOU and four corresponding agreements outlining the relationship between Cambridge Enterprise and the University
- TUPE transfer of 23 employees, review and assessment of Cambridge Enterprise staff, and establishing new contracts of employment, payroll and pension arrangements
- Appointment of a Board of Directors and implementation of new governance including quarterly Board meetings
- Transfer of trade from the University to Cambridge Enterprise as well as VAT registration, establishment of new bank accounts and management of the transfer of certain assets from University accounts to Cambridge Enterprise
- Successful participation in seven audits and reviews: Audits of the Memorandum Of Understanding and corresponding agreements, insurance coverage, the new IPR policy, the accounts of Cambridge Enterprise, CUTS and The Challenge Fund Trading Company Ltd (CFT), and a review by the School of Biological Sciences
- Contract asset review and creation of management information summarising all licence and consultancy contracts and corresponding revenue and costs
- Equity asset review, valuation, stock certificate round up and creation of management information summarising equity holdings in 72 companies among Cambridge Enterprise, CFT and the University
- Building a finance and operations team to provide support to all three business units (consultancy, technology transfer and seed funds) covering finance, HR, facilities and IT
- Systems review including case management, financial and IT systems; design and implementation of a new chart of accounts; case management information; procurement and initiation of new software for case management and finance.

This capability allows the transaction teams in consultancy, technology transfer and seed funds to focus time and resource where it will have the greatest financial and societal impact.



Finance and Performance

Investing for the public benefit

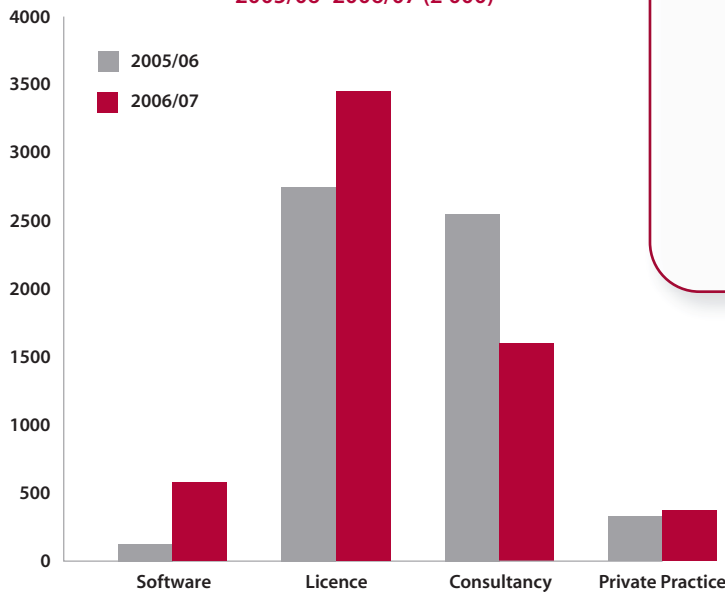
Cambridge Enterprise returns are reinvested in the innovation process at the University of Cambridge with 88% of the technology and knowledge transfer income returned to University academics and departments in 2006/07. The remaining 12% was invested in the services carried out on behalf of the University in implementing the University's regulations on intellectual property rights, supporting government mandated third stream initiatives and providing assistance to University academics in commercialising their ideas. Furthermore, equity realisations from our cash investments are returned for reinvestment into new ideas.

Income includes Cambridge Enterprise licensing (technology transfer) and consultancy (knowledge transfer) income. These figures do not include equity realisations or reimbursement of patent expenses. Consultancy income for 2005/06 includes £1 million of exceptional income. Software income for 2006/07 includes £417k of exceptional income.

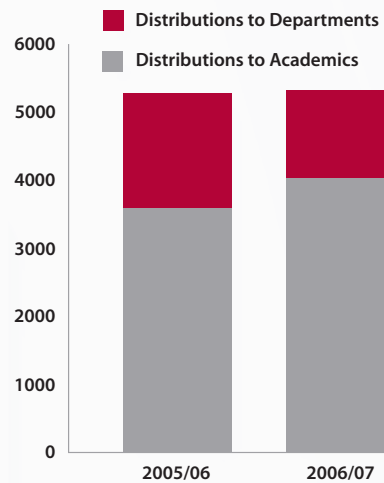
Most consultancy income comes from contracts initiated 6–12 months prior to the year the income is first reported. Most licence-related income comes from inventions made and disclosed 10 years or more before the year the income is reported. During 2006/07, Cambridge Enterprise managed 341 active licence relationships or contracts. About 95% of these were generating some income, 17% generating royalty streams and 1% generating significant income. Private Practice billing represents the income Cambridge Enterprise collects from patients who are provided with services from University clinical staff's private practices, as set out in the recommendation of the General Board of 12 July 2000 and Grace of 10 November 2000.

Amounts distributed to academics are from consultancy, private practice, software and licensing income. The distribution to departments includes amounts donated to departments (academic consultants regularly donate their fees to the department) under consultancy agreements and the department share of licence income. These payments to academics and departments represent about 88% of the consultancy and licence income received by Cambridge Enterprise.

**Income by Type
2005/06–2006/07 (£'000)**

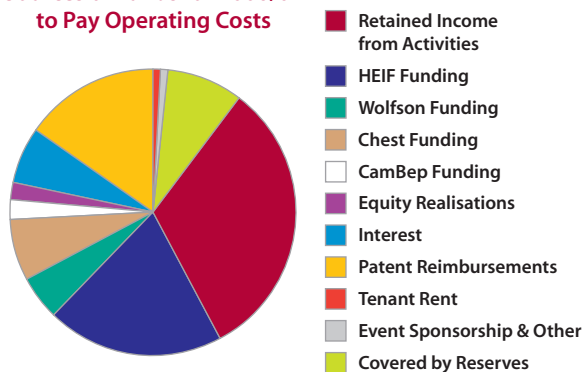


**Returns to Stakeholders
2005/06–2006/07 (£'000)**

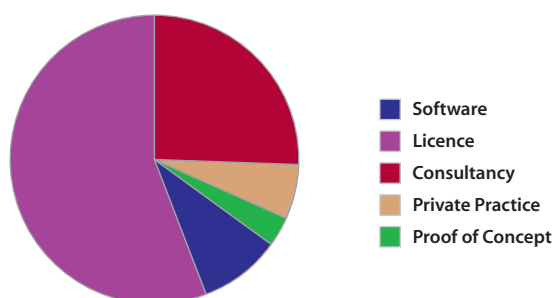


Finance and Performance continued

Sources of Funds for 2006/07 to Pay Operating Costs



Income by Type 2006/07



Administration Expenses

Administration expenses for the year ending 31 July 2007 include eight months of staff costs of £847k following the transfer of employees to Cambridge Enterprise Limited from the University of Cambridge on 1 December 2006. Staff were employed by the University during the year ended 31 July 2006.

Distribution to University Chest and Departments

During the year ended 31 July 2006 £552k of the £2,224k transfer to University Departments represents the University Chest share subsequently retained by Cambridge Enterprise Limited as a contribution to working capital.

Other Operating Income

Other operating income for 2007 includes £468k of grants received from the University of Cambridge and £45k of grants received from CamBep for the eight months to 31 July 2007.

No grants were received by Cambridge Enterprise Limited during the year ended 31 July 2006 as the grant funds were provided to the University and the staff were employed and funded directly by the University.

Other operating income for the year ended 31 July 2007 also includes £331k of patent cost reimbursements (2006, £294k) as well as £45k of equity realisations from licences (2006, £61k).

Group Profit and Loss Account Year to 31 July 2007

	2007 £'000	2006 £'000
Turnover	6,228	5,842
Cost of Sales	(4,261)	(3,624)
Gross Profit	1,967	2,218
Patent Costs	(540)	(626)
Administration Expenses	(1,270)	(261)
Distribution to University Chest and Departments	(1,279)	(2,224)
Other Operating Income	<u>962</u>	<u>367</u>
Operating Profit	(160)	(526)
Other Interest Receivable	<u>143</u>	<u>103</u>
Profit (Loss) on Ordinary Activities before Tax	<u>(17)</u>	<u>(423)</u>

Group Accounts

The profit and loss account includes results for the period ending 31 July 2007 for Cambridge Enterprise Limited (Company No. 1069886) and its wholly owned subsidiary company, Cambridge University Technical Services Limited (Company No. 5749230). For the period ending 31 July 2006 the profit and loss account includes results for Cambridge Enterprise only (formerly Cambridge University Technical Services Limited, Company No. 1069886).

Cambridge University Technical Services Limited (Company No. 1069886) was renamed Cambridge Enterprise Limited (Company No. 1069886) on 1 December 2006, at which time the trade and University employees were transferred into the company. Concurrently a subsidiary of Cambridge Enterprise Limited was established and named Cambridge University Technical Services Limited (Company No. 5749230) to channel the consultancy services aspects of the organisation.

Finance and Performance continued

Equity managed by Cambridge Enterprise

	Cambridge Enterprise Limited (£'000)	Challenge Fund Trading Company Limited (£'000)	University Venture Fund (£'000)	Total (£'000)
Investment Valuation as at 31 July 2007 ¹	8,227	2,640	2,163	13,030
Investment Valuation as at 31 July 2006	4,202	2,225	2,391	8,818
Equity Realisations for the year to 31 July 2007 ²	45	0	243	288

Notes

- Overheads are incurred in managing both seed funds. These costs are recovered in part from the Challenge Fund (£231k).
Costs are also incurred by Cambridge Enterprise Limited with respect to the Venture and Challenge Funds that have not been recharged during 2006/07.
- The University Venture Fund is held by the University of Cambridge but is managed by Cambridge Enterprise.
- The Challenge Fund Trading Company Limited is a wholly owned subsidiary of the University of Cambridge but is managed by Cambridge Enterprise on a day-to-day basis.
- Cambridge Enterprise Limited is a wholly owned subsidiary of the University of Cambridge.
- Gains were primarily the result of the increased valuation on one of the portfolio companies.

1. Investments are recorded at Valuation as set out in the International Private Equity and Venture Capital Guidelines (October 2006).
2. Equity realisations represent cash received on shares sold during 2006/07.

List of Equity Holdings as at 31 July 2007

Challenge Fund Trading Ltd

Akubio Ltd
 Ampika Ltd
 BlueGnome Ltd
 The British Stem Cell Registry Ltd
 Camfridge Ltd
 Cambridge Lab on Chip Ltd
 Cambridge Semiconductor Ltd
 CellCentric Ltd
 Daniolabs Ltd (acquired by Summit plc)
 Delta G Ltd (CFT have advanced a loan to this company and do not hold any equity yet)
 Enecsys Ltd
 Enval Ltd
 Genapta Ltd
 Horizon Discovery Ltd (CFT have advanced a loan to this company and do not hold any equity yet)
 InoTec AMD Ltd
 Lumora Ltd
 Metalysis Ltd (formerly FFC Ltd)
 Psynova Neurotech Ltd
 Sentinel Oncology Ltd
 Vivamer Ltd

University Venture Fund

1 Limited
 Akubio Ltd
 Ampika Ltd
 Astex Therapeutics Ltd
 Avlar BioVentures Ltd Fund 1
 Avlar BioVentures Ltd Fund 2
 Cambridge Bioclinical Ltd
 Cambridge Display Technology Ltd
 Cambridge Semiconductor Ltd
 CamFPD Ltd
 CellCentric Ltd
 Daniolabs Ltd (acquired by Summit Plc)
 De Novo Pharmaceuticals Ltd
 Genapta Ltd
 Hypertag Ltd
 InoTec AMD Ltd
 Metalysis Ltd (formerly FFC Ltd)
 Phico Therapeutics
 Plastic Logic Ltd
 Sentinel Oncology Ltd
 Spirogen Ltd
 Teraview Ltd

Cambridge Enterprise Ltd

1 Limited
 Akubio Ltd
 Astex Therapeutics Ltd
 Biotica Technology Ltd
 British Titanium Plc
 Cambridge Bioclinical Ltd
 Cambridge Biotransforms Ltd (formerly Pollution Technology Ltd)
 Cambridge Display Technology Ltd
 Cambridge Flow Solutions Ltd
 Cambridge InnoVision Ltd
 Cambridge Lab on Chip Ltd
 Cambridge Semiconductor Ltd
 Cambridge Superconductors Ltd
 Cambridge Theranostics Ltd
 Camfridge Ltd
 Cavendish Kinetics Ltd
 CEDAR Audio Ltd
 CellCentric Ltd
 Chroma Therapeutics Ltd
 Clinical and Biomedical Computing Ltd
 De Novo Pharmaceuticals Ltd
 Diagnostics for the Real World Ltd
 E-Stack Ltd
 Funxional Therapeutics Ltd
 Galapagos (BioFocus plc)
 Genapta Ltd
 Granta Design Ltd
 ILeXir Ltd
 Illumina Inc
 Ionscope Ltd
 Light Blue Optics Ltd
 Metalysis Ltd (formerly FFC Ltd)
 Metris Therapeutics Ltd
 Microbial Technics Ltd
 Novexin Ltd
 OrthoMimetics Ltd
 Plastic Logic Ltd
 Polatis Ltd
 Procognia Ltd (formerly Sense Therapeutics Ltd)
 Pronostics Ltd (formerly SmartBead Technologies Ltd)
 Psynova Neurotech Ltd
 Raindance Technologies Ltd
 RevelationBio Ltd
 Smart Holograms Ltd
 Teraview Ltd
 The Crisp Consortium Ltd
 Vivamer Ltd
 WAX Info Ltd (formerly Cambridge Centre for Informatics)
 XenSource Ltd
 Zinwave Ltd

Looking Forward

During this year Cambridge Enterprise has been under the new relationship with the University. Because the enterprise has clear goals and new governance structure, we all know our duties and aims. Cambridge Enterprise now has a secure foundation to serve society, the UK economy and the University and in particular the academic community.

Our second year should see our service to academics widen and improve in terms of both quality of advice and delivery. We need to widen our access to resources for seed fund investment, and will do so in close cooperation with the University.

We are particularly grateful to the Hauser-Raspe Foundation for the gift to the Cambridge 800th Anniversary Campaign for the construction of the Hauser Forum, our future home in West Cambridge. This new building will be an inspiring and welcome location for our staff and new enterprises.

So 2007/08 will see us extend and deepen our reputation for excellent service to the University and beyond. On behalf of the Cambridge Enterprise Board may I congratulate and thank Teri Willey and all the staff. They have achieved in a short time a great change in the organisation's structure, greater professionalism and motivation of our staff, and given Cambridge Enterprise the will to succeed as an outstanding university technology transfer service. Well done!

Lord Roger Freeman

Chairman

Information

Cambridge Enterprise Limited

Company Number: 1069886

Registered in England and Wales

Registered Office:

The Old Schools, Trinity Lane, Cambridge CB2 1TN

Cambridge University Technical Services Limited

Company Number 5749230

Registered in England and Wales

Registered Office:

The Old Schools, Trinity Lane, Cambridge CB2 1TS

The Challenge Fund Trading Company Limited *trading as Cambridge Enterprise Seed Funds*

Company Number: 3878072

Registered in England and Wales

Registered Office:

The Old Schools, Trinity Lane, Cambridge CB2 1TS