

DIRECTORS

31st December 2009

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Chief Executive Jane Davies

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Cllr. Joyce Keller

Cllr. Neil Swannick

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Professor Gerry Kelleher

University of Manchester

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Company Secretary

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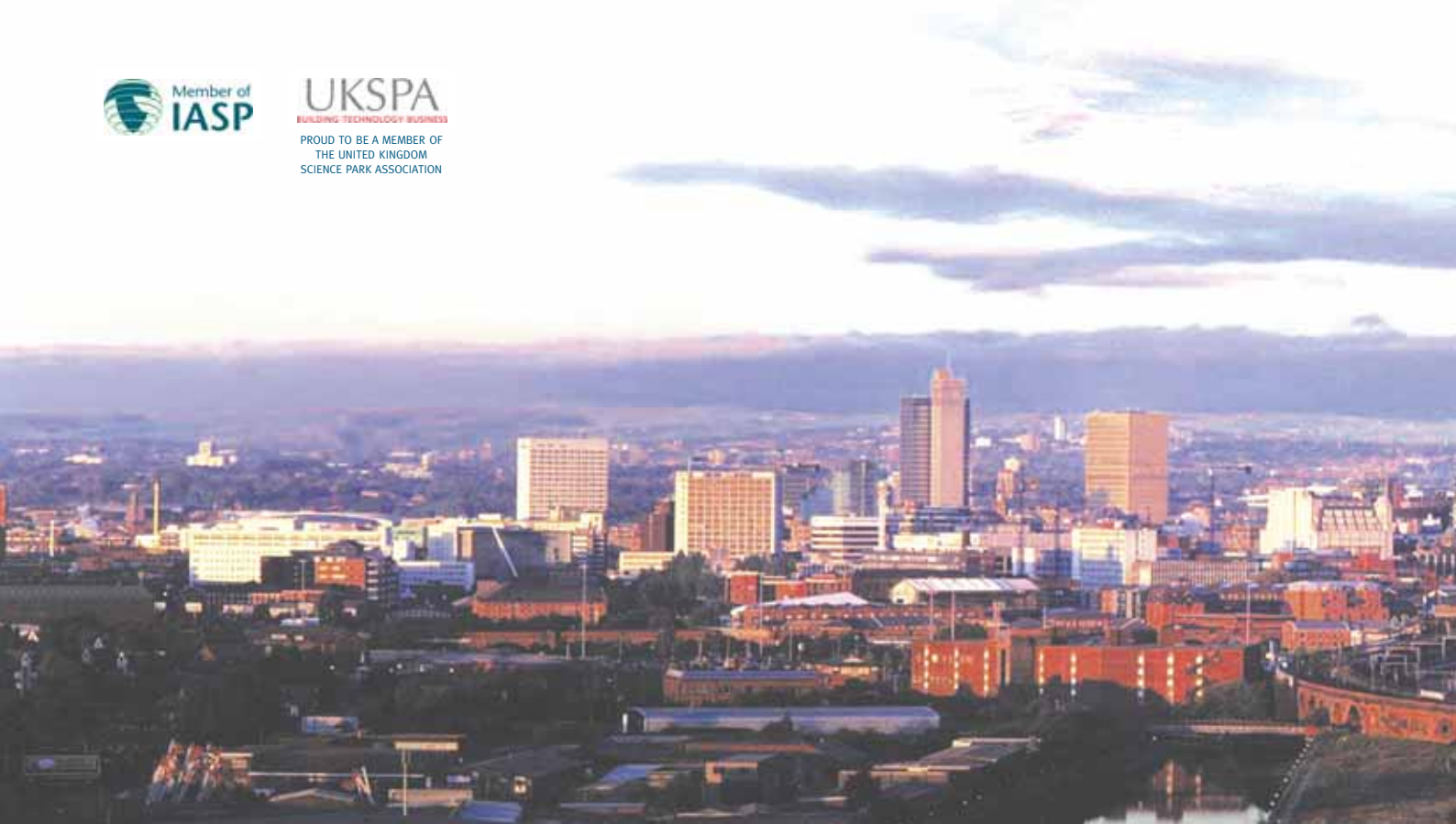
Townson Associates



“ I would like to use this opportunity to thank those colleagues who are retiring from the **m**sp board for their devotion and contribution over the years. Their constancy and continuity has played an immeasurable role in **m**sp's success.

They are: Councillors Brian Harrison, Joyce Keller and Neil Swannick representing the City of Manchester, Professor Luke Georghiou of the University of Manchester, Professor Gerry Kelleher of Manchester Metropolitan University, Tim Harper from the Royal Bank of Scotland and Rachel Wilkinson of Ciba Specialty Chemicals.

They can be rightly proud of their legacy. ”



LOOKING BACK, **LOOKING FORWARD**

“ Anniversaries are an opportunity to both reflect on the past and look to the future. 2009 was the 25th anniversary of the establishment of Manchester Science Parks; it also marked the 25th anniversary of the science park movement in the UK with the formation of the UK Science Park Association (UKSPA), in which **msp** has played such an active part.

The **msp** and UKSPA objectives have always been intertwined, and we were proud to host their 25th Anniversary conference last September. Leading academics, business representatives and science park managers from across the globe attended the event and we were delighted to win the Award for Outstanding Science Park Initiative at the 25th Anniversary Gala Awards for our work with the Manchester International Innovation Centre (MIIC) in partnership with MIDAS, Manchester’s inward investment agency.

The award is an example of how **msp** is at the forefront of the knowledge leadership ambitions of the Science Park Association, a position we continue to occupy. The conference itself moved on the debate about the role a science park plays, confirming that we are not just a ‘nice to have’ university accessory, but at the heart of the regional innovation system.

Central to maintaining this position are the innovation services we provide to our tenants. Funded by profit from the commercial property aspect of our business, our innovation services team works with tenants to ensure they exploit our extensive business networks, professional and academic partnerships and links with regional funding providers and development agencies in order to build their own businesses.

This model brings results, and we have seen a substantial rise over the last year in the number of tenants with formal links to the universities and hospitals in Greater Manchester, the number who

have seen an increase in sales and the number who have received external funding as a result of our services. The next step is to spread the benefits of our approach more widely across the city region, so we have joined forces with Salford City Council with the aim of creating Salford Innovation Park from a group of existing facilities next to the campus of the University of Salford. The further our reach, the more we can help knowledge-based businesses, which in turn contribute to the economic regeneration of their local area.

So, where do we go from here? In 2006, we hosted a ‘scenarios workshop’ on the future of science parks. It was attended by experienced professionals from around the world, both inside and outside the science park movement, including architects, senior university managers, venture capitalists and leaders of international industrial research organisations.

This workshop resulted in the ‘3rd Generation Science Parks’ report, a document that outlines the steps required for science parks to play their full role in the evolution of a knowledge-based economy.

This is now the goal for every science park and we are confident that **msp** is on its way to fulfilling this ambitious role.

I would like to pay tribute to Jane Davies and her team on **msp**’s achievements and their dedication to our community and stakeholders.”

Peter Folkman Chairman



EXPANDING OUR HORIZONS

“ As you leaf through this report, reading of the success of our tenants and comments about **msp** from our shareholders and colleagues, I think you will conclude that **msp** is a successful company. We have achieved our objectives by remaining focussed whilst the business environment and the meaning of ‘high-tech’ has changed around us. We have improved the performance of our tenant companies and connected them with the resources of our shareholder universities; the companies have grown, delivering high value jobs and attracting investment into Manchester; we have built a cluster of innovative businesses in Hulme, contributing to the regeneration of our neighbourhood; and we have been able to do all this because we are a profitable property company.

So what now? It would be easy to continue business as usual; and the figures for 2009 demonstrate that, even in a recession, ‘as usual’ delivers a respectable operating profit and generates sufficient cash to service our loans. However, with the support of our shareholders we believe we can expand our operations both geographically and in terms of the type of company we support and we have taken several steps in 2009 to enable us to do that.

During the year, we revised the Memorandum of the Company so that we are no longer focussed purely on companies operating in the ‘high-technology’ field, but have extended our

remit to all businesses ‘operating in the knowledge-based economy’. This has been a response to the reality of modern developed economies and the city region’s particular strengths in digital media and creative businesses. Obviously each site will have its sector focus and the Corridor site is likely to continue to attract ICT and biomedical/healthcare companies because of the proximity to the University’s people and facilities. But recognising the value of cross-sector collaboration, we are now formally opening our doors to a wider community of innovative tenants.



We also extended our geographical remit to that of the Manchester city region and on 1st January 2010 we moved beyond the boundaries of the City of Manchester into Salford, taking over management of the Salford University Business Park. This is the first step in the process of creating Salford Innovation Park (SIP) from three adjoining facilities on a site next to the University of Salford. The site lies within the remit of Central Salford URC, just off the A6 heading North West out of the city and the parallels with Hulme as it was in 1984 are quite remarkable. Salford Innovation Park is likely to attract companies involved in the supply chain that feeds MediaCity UK because of physical proximity, the strengths of the University of Salford and lower costs compared with the Quays.

'The Corridor site' is now how we refer to the original **m**sp site on Lloyd Street North to distinguish it from our other operations. The Corridor Partnership has articulated a strategic vision of a much expanded innovation cluster in and around the Oxford Road, and an expanded **m**sp is very much a part of it. In order to deliver the targeted increase in jobs from 55,000 to 77,000 by 2020, the amount of commercial space on the Corridor needs to expand accordingly. **m**sp's Corridor site is one obvious location for further development given its location and the availability of land; **m**sp is also the obvious operator for such facilities given our experience and brand.

So in 2010 we are exploring options for our award-winning operation to enter its next quarter century still focussed on what we do best, and operating at a scale that will make a significant impact on the city region economy. ”

Jane Davies Chief Executive



“ Corridor Manchester is the first partnership of its kind in the UK. It brings together Manchester City Council, The University of Manchester, Manchester Metropolitan University and the Central Manchester University Hospitals NHS Foundation Trust to build on the partners' investments in the 243 hectare area - known as the Corridor - running south from St Peter's Square to Whitworth Park along Oxford Road, Manchester. The partnership is committed to generating further economic growth and investment in the knowledge economy for the benefit of the city region. ”

Extract from Corridor Manchester Strategic Vision document

BREAKING NEW GROUND

1980s Manchester was a very different city to the one it is now. The UK economy was suffering from the wholesale loss of heavy industry that had begun in the late 1970s, and over 200,000 manufacturing jobs had been lost in Manchester alone between 1972 and 1984. Unemployment in the inner city had reached 20 per cent.

It was clear that the solution to this problem would lie in the encouragement of a diverse economy that used knowledge-based skills. The concept of a science park was relatively new in the UK, and early examples were aimed at benefiting their associated universities, not driven primarily to stimulate regional economies.

Manchester Science Park went against the grain in this respect. Implementing a revolutionary tripartite system of roughly equal shares held by the civic, academic and commercial sectors, its primary objective was to work towards the regeneration of Manchester by harnessing its powerful links with shareholders – an objective still at the heart of everything **msp** does today.

As well as having the Manchester universities function as one-third of the Science Park's shareholders, in 1985 the then Victoria University of Manchester established one of the UK's first

technology commercialisation companies, VUMAN, and located it at **msp**, demonstrating their commitment to the role of **msp** within the new knowledge economy and academic technology transfer sector.

VUMAN's operating subsidiaries, spun out from the University, were also located on the Park, and there were soon companies on site involved in such diverse areas as laser development, drug trials, systems controls and cleaning up aquatic pollution.

VUMAN's own operation grew, as did these companies. All those early companies stayed on the Park and developed to the point where they needed to move out and take on larger premises, often buying their own. VUMAN (and later its successor company Manchester Innovation) continued to develop spin-out companies, placing the majority on the Science Park in their early days.

21ST CENTURY SCIENCE PARKS

A successful Science Park is much more than a collection of buildings.

A typical park takes around a decade to reach maturity and, in doing so, passes through a series of recognisable phases. The initial and secondary phases encompass the planning, fund acquisition and then steady growth of the Park, filling up the buildings and making the management and operational activities much more efficient.

Third stage, or third generation, science parks come into existence when the management realises that the park is capable of playing some wider and desirable role in the economic or technological development of the region.

The 21st Century Science Park is a gateway, not a destination. Third generation science parks, like **msp**, now function not just as a place for businesses to locate but as the entry point to a readily available network that actively works with them to grow their business and make connections that will ultimately work to stimulate the regional economy and business.



Derek Burr, first CEO of **m**sp, explains why Manchester Science Park is as relevant now as it was 30 years ago when the idea for the Park was first discussed.

“ Thirty years ago, recession was biting the world’s economies and many of Britain’s big industries were crumbling. Fortunately, optimists saw scope to encourage the nucleation and growth of completely new businesses and new employment, particularly through the exploitation of new technologies. Manchester was among the first to recognise that a science park might provide an environment in which, with the aid of on-site technological and business support, new ventures might achieve credibility and substance.

At the opening ceremony in the Town Hall one speaker hoped that **m**sp would have an effect on Manchester comparable to that of the Ship Canal a couple of hundred years earlier. With an empty Enterprise House and the realistic financial forecast providing scant comfort, my knees were audibly knocking. In my subsequent speech I resisted the temptation to remark that we were in deeper water than the canal. However, with the impressive growth of **m**sp, we might now like to think more rationally about that analogy!

Thirty years on, we are in a very similar economic morass, albeit for different causes. The need to create new industries is even greater. However, we now have the advantage of knowing that science parks’ business model works – we no longer say “might”. They can, and do, stimulate new businesses to emerge. Thus the need, and the opportunity, for science parks in the UK is now greater than ever before.

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A RECORD OF ACHIEVEMENT...

Over the years, **m**sp tenants have been responsible for a wide range of innovative and often groundbreaking products and services. Here are some examples:



JAP OPTOELECTRONIC LTD

R&D, design, manufacture and sale of solid-state, LED lighting solutions for building aesthetics, general illumination and live entertainment applications. Projects include the recent U2 world tour and the exterior lighting scheme for Heathrow Terminal 4.

LASER QUANTUM

Compact, high specification laser systems for industrial and research applications.

GERBER GARMENT TECHNOLOGY

Technology which takes a new fashion design from the US using the internet, then prints and cuts out the garment directly in the UK, or vice versa. One of the first uses of the internet for this kind of direct manufacturing.

QIAGEN MANCHESTER LTD

Provides molecular diagnostic kits to aid doctors and drug companies select safe and effective therapies for patients based on genetic mutation status.

GROUND GAS SOLUTIONS LTD

Continuous data capture and analysis of ground gas using the Gasclam®, a unique in-borehole monitoring device.

I-MORPHICS

Leading edge medical image analysis used by clinical research teams around the world.

OSSUR UK

Artificial limbs and prosthetics using the latest new materials technology.

I-PROPHETS

Online technology enabling organisations to collate, monitor and report energy information for all their buildings.

IPEC LTD

Continuous monitoring and analysis of electricity supply networks enabling early problem detection and repair, preventing interruptions in supply.

RAVENSOFT

A battery extender that intelligently adjusts your smartphone's features to maximise the battery life.

NEUTECH PHARMA

Development of antibodies for the treatment of life-threatening infections, including fungal sepsis and Clostridium difficile (C.difficile).

AGRI-BIOTECH LTD

Unique cutting edge technique to grow sugar cane and other similar crops more economically and productively.

IDVAC

Unique holographic materials for security and consumer products.

C-X-R, NOW PART OF THE RAPISCAN GROUP

Computed tomography system successfully trialled at Manchester Airport; rapid and comprehensive screening for a wide range of potential threats.



SUCCESSFUL PARTNERSHIPS



NESTA

Jonathan Kestenbaum, Chief Executive

“msp has much to celebrate in its 25th anniversary year. It has developed a world-class science and technology network, providing the environment, facilities and support to maximise innovation and commercial success.”

MANCHESTER METROPOLITAN UNIVERSITY

Professor Gerry Kelleher, Deputy Vice Chancellor (Strategic Planning)

“If you look at Manchester historically, it has been one of the most innovative places on the planet. The Science Park has a long, honourable and envied tradition which puts it in a respected and powerful position.”

INTERNATIONAL ASSOCIATION OF SCIENCE PARKS

Luis Sanz, Director General & CEO

“Not only has msp contributed decisively to the development of the knowledge economy in its city and region, but has also understood the importance of being a global player as well. That is why msp has all this time been one of the most proactive and dynamic members of our association and become one of the science parks that always makes the short list of benchmarks that mustn't be missed by anyone who wants to excel in this business.”

MIDAS

Colin Sinclair, Chief Executive

“msp has been, and continues to be, a key asset for the city region and an integral part of MIDAS' inward investment proposition. Over the years, it has provided high quality space and a supportive environment for a number of companies and its close links with the University make it an ideal base for the knowledge-intensive businesses which are critical to the future economic success of the city region.”

NORTH WEST DEVELOPMENT AGENCY

George Baxter, Director of Science & Innovation

“Science Parks have a proven track record in enabling Science and Technology businesses to thrive in a way which "ordinary" locations do not. msp is an excellent example of how this can be done in a thoroughly professional way. It is a critical part of the Knowledge Economy in Manchester and essential to the success of The Corridor.”

MANCHESTER CITY COUNCIL

Sir Howard Bernstein,
Chief Executive of Manchester City Council

“Manchester Science Parks has played a key element in moving Manchester from a post-industrial economy to a knowledge-based economy and is home to some of the most innovative companies this city has produced. It is one of the city's proudest achievements.”

UK SCIENCE PARK ASSOCIATION (UKSPA)**Paul Wright, Chief Executive**

"I have had the privilege of working closely with **msp** over the last seven years, and can say that through the good work of its previous Chairman, Professor John Allen, and the tireless efforts of Jane Davies and her staff, **msp** is now recognised as one of the leading science parks in the UK.

"Innovation is deeply embedded in the **msp** culture, and I hope that the **msp** brand will continue to play an important role in the support of innovation in Manchester and beyond for the next 25 years."

POCHIN'S PLC**John Woodcock, former Chairman of the Board**

"**msp** is a prime example of a successful private/public joint venture enterprise which, from inception, has gone from strength to strength. For many years Pochin's has been involved in joint ventures and we are pleased to be associated with, and to have contributed to the success of **msp**."

UNIVERSITY OF MANCHESTER**Professor Rod Coombs, Vice-President (Research and Innovation), University of Manchester**

“ When the Science Park was created 25 years ago, it combined two ideas which were risky and unproven. The first was that a University could contribute to the generation of significant new businesses and ‘house’ them on its doorstep. The second was that a park for high-tech companies could contribute to inner-city regeneration. Combining the two risky ideas may have increased the risk, but it has also increased the reward. Now, 25 years later, **msp** has proved both ideas to be well-founded. Indeed the idea seems so well-established that it would be difficult to imagine a University such as Manchester not being associated with a substantial science park. ”





msp: **ROOTED AND GROWING**

Over the last 25 years, **m**sp has grown at a phenomenal rate. We have increased our locations, facilities and business development services, and we are not resting on our laurels.

We believe innovative businesses should make the most of the people and assets readily available in the region, but we must continue to maintain and expand our partnerships to make sure the network is constantly looking further afield to find inspiration and renewal.

“ New **m**sp initiatives to attract tenants in growth sectors and from overseas are on the agenda. We are also looking at expanding into different areas of Greater Manchester to make sure that the innovation potential of an expanding network of knowledge-led businesses generates employment and regeneration opportunities across the City Region. ”

The time for action is now. Manchester is the original modern city, and we are dedicated to keeping it that way.

EXTRACTS FROM THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

The figures in these statements are based on our published accounts.

For further information the statutory financial statements, together with the reports of the directors and auditors thereon, should be consulted. These documents will be supplied free of charge on request.

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009

	2009	2008
	£000	£000
Turnover	2,984	3,092
Operating costs	(1,326)	(1,338)
Other operating income	352	306
Gross Profit	2,009	2,060
Administrative expenses	(1,437)	(1,357)
Operating profit	572	703
Net interest payable	(293)	(323)
Income from investments	9	34
Profit before taxation	288	414
Taxation	(83)	(270)
Profit after taxation	205	144

BALANCE SHEET at 31 December 2009

	2009	2008
	£000	£000
Investment properties	20,655	20,276
Other fixed assets and investments	150	188
	20,805	20,464
Current assets	2,740	2,709
Liabilities & Provisions	(2,812)	(2,659)
Grants received	(1,766)	(1,766)
	18,966	18,748
Capital & Reserves	12,966	12,748
Loans	6,000	6,000
	18,966	18,748

SHAREHOLDERS as at 31 December 2009

Shareholders	'A'	'B'	'C'	Total
	Ordinary Shares £'000	Ordinary Shares £'000	Ordinary Shares £'000	
City Of Manchester	70			70
The University of Manchester		70		70
Manchester Metropolitan University		26		26
Ciba Specialty Chemicals (UK) Ltd			15	15
ITV plc			15	15
National Westminster Bank plc			15	15
Pochin's PLC			24	24
Quiros Ltd			15	15
Issued Share Capital	70	96	84	250

THE FINANCIAL DIMENSION

Any review of **m**sp's achievements during 2009 would not be complete without reference to its profitability.

Our unique business model, which combines good quality accommodation and flexible lease terms with bespoke innovation services, contributes to a strong relationship with our tenant base which in turn delivers results that have historically proven to be quite resilient to changes in economic climate. Our creditable performance in 2009 is a testament to this. Our profitability and cash generation was more than sufficient for us to meet our interest payment obligations despite being lower than in 2008.

Operating Profit fell by 19% as a direct result of lower turnover. This reduction arose from a void period in Skelton House during the summer prior to the agreement of a new tenancy with QIAGEN Manchester Ltd in August 2009. Enquiry levels throughout the year were lower than usual but we were successful in improving our conversion rate and **m**sp closed the year with an occupancy level of 89 per cent. In total, we welcomed 10 new tenants to **m**sp during 2009, with referrals from satisfied existing tenants continuing to be one of our best sources of enquiries.

The early indications for 2010 are very positive. Occupancy levels at all three of our sites have remained high. Our results to date indicate that **m**sp will return to the levels of profitability achieved prior to the economic downturn.

However, like all small companies, we need to find new ways of delivering our specialist services to a new customer base. As such, during the final quarter of 2009 we entered into a new contract with One Central Park Ltd to provide facilities management and during 2010 we will extend our operations to the City of Salford. By developing a service-based approach, and working with partners to deliver our business model in their existing properties, we will deliver a better financial return on our overheads. Our expansion will not be constrained by the availability of capital or the boundaries of our property.

Lynne Barlow Commercial Director





mssp
manchester science parks

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