

Isis Innovation Limited

Directors' report and financial statements

31 March 1999

Registered number 2199542



Directors' report and financial statements

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Directors' report

The directors submit their report and the audited financial statements of the company for the year ended 31 March 1999.

Principal activities

The principal activity of the company is the commercialisation of research ideas generated by academics at the University of Oxford, and owned by the University. The University assigns its intellectual property to Isis which then takes appropriate steps to assess, protect and market the inventions.

One of the marketing channels utilised by the company is the Oxford Innovation Society. The society is a network of industrial companies who in return for a yearly subscription, among other services, receive notification of intellectual property generated prior to general marketing.

Results and dividends

The results of the company are set out on page 5.

The directors do not recommend the payment of a dividend.

Future development

The directors are confident about the future development of the company. The University has been awarded £3m from the 'University Challenge Fund'. The bid for this funding, for the commercialisation of research work, was prepared by Isis staff and it is hoped that this will further increase the stream of intellectual property to the company.

Directors

The following directors held office during the year:

Professor J.I. Bell

Professor J.M. Brady

J.R. Clements

Dr T. Cook

Professor C.J. Leaver

Dr W.G. Richards

Dr P.M. Williams (Chairman)

Dr K.G. McCullagh (resigned 11 March 1999)

B.J. Taylor

All directors are non-executive apart from Dr T Cook.

The company is wholly owned by the University of Oxford.

Directors' report *(continued)*

Year 2000

The directors have considered the impact of Year 2000 issues on the business. The directors are satisfied with the progress made to date and do not anticipate that any future costs involved in ensuring the company becomes Year 2000 compliant will be significant.

Auditors

In accordance with the Companies' Act section 385, a resolution to re-appoint KPMG as the company's auditors will be proposed at the Annual General Meeting.

By order of the board



PJ Smith
Secretary

University Office
Wellington Square
Oxford
OX1 2JD

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Isis Innovation Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

9 August 1999

Profit and loss account
for the year ended 31 March 1999

	<i>Note</i>	1999 £	1998 £
Turnover	<i>1</i>	573,852	480,649
Cost of sales		(663,699)	(418,460)
Gross profit		(89,847)	62,189
Administration expenses		(478,741)	(326,302)
Other operating income	<i>5</i>	300,000	51,500
Operating loss		(268,588)	(212,613)
Other interest receivable and similar income		7,711	15,076
Loss on ordinary activities	<i>2-5</i>	(260,877)	(197,537)
Accumulated losses brought forward		(348,082)	(150,545)
Deficit for the financial year		(260,877)	(197,537)
Accumulated losses carried forward		(608,959)	(348,082)

The company has no gains or losses other than those shown in the profit and loss account. All amounts relate to continuing activities.

Balance sheet
at 31 March 1999

	<i>Note</i>	1999 £	1998 £
Current assets			
Debtors	6	89,677	268,734
Cash at bank and in hand		109,654	221,172
		<u>199,331</u>	<u>489,906</u>
Creditors: amounts falling due within one year	7	<u>(408,290)</u>	<u>(437,988)</u>
Net assets/ (liabilities)		<u>(208,959)</u>	<u>51,918</u>
Capital and reserves			
Called up share capital	8	400,000	400,000
Profit and loss account		<u>(608,959)</u>	<u>(348,082)</u>
Shareholders' funds	9	<u>(208,959)</u>	<u>51,918</u>

These financial statements were approved by the board of directors on 18 June 1999 and were signed on its behalf by:



Sir Peter Williams
Chairman

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements have been prepared on a going concern basis notwithstanding that the company had net liabilities at 31 March 1999 since the company's parent the University of Oxford has agreed to continue to provide any necessary financial support for a minimum of a year from the date of approval of these financial statements.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent the University of Oxford includes the company in its own consolidated financial statements.

As the company is a wholly owned subsidiary of the University of Oxford, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of the University of Oxford, within which this company is included, can be obtained from the address given in note 11.

Turnover

Turnover represents income (excluding value added tax) from the exploitation of ideas emanating from the University of Oxford.

Project expenditure

All expenditure for projects, including research and development expenditure, is written off in the year in which it is incurred.

Intangible assets

The company currently owns the patents and patent rights to a number of inventions which may give rise to future income streams. The costs associated with these patents are written off in the year in which they are incurred due to the uncertainty of any future income which may be derived as a result of these patents.

Tangible assets

The company has adopted the policy of its parent, the University of Oxford, with regard to the capitalisation of tangible fixed assets. It therefore applies a 'de minimis' limit of £10,000 for the capitalisation of expenditure on equipment.

Pensions

The administrative employees of the company are members of the Oxford University Staff Pension Scheme, a defined benefit scheme, administered by the University of Oxford. Details of the scheme are included in the financial statements of the University of Oxford. Other employees of the company are members of the group personal pension plan administered by Equitable life Assurance PLC. The company's contributions to these schemes, and the personal pension plans of certain employees, are charged to the profit and loss account as they fall due. At 31 March 1999 there were no contributions outstanding from the company.

Notes (continued)

Premiums on licensing

Premiums on licensing are recognised after the deduction of future patent costs and the deferment of any element of the premium which, in the judgement of management, is reflected in a reduced rate of future royalties.

2 Loss on ordinary activities

Loss of ordinary activities is stated after charging:

<i>Auditors remuneration:</i>	1999	1998
	£	£
Auditors remuneration - audit	4,500	2,500
- other services	1,500	1,500
Cancellable operating lease payments - land and buildings	2,500	—
	<u>8,500</u>	<u>4,000</u>

3 Employees

The average weekly number of persons, including executive directors, employed by the company during the year was:

	1999	1998
	No.	No.
Administration	9	9
	<u>£</u>	<u>£</u>
The total cost of their remuneration was:		
Wages and salaries	287,008	170,035
Social security costs	26,863	15,558
Other pension costs	31,579	13,969
	<u>345,450</u>	<u>199,562</u>
Total employers' remuneration	<u>345,450</u>	<u>199,562</u>

4 Directors' remuneration

	1999	1998
	£	£
Directors' emoluments	80,817	56,833
Directors' pension contribution	10,262	8,525
	<u>91,079</u>	<u>65,358</u>

One director had benefits accruing under a money purchase pension schemes.

Notes (continued)

5 Other operating income

	1999 £	1998 £
Patenting services provided to the University of Oxford	300,000	-
Grant from the University of Oxford	-	40,000
Donation	-	11,500
	<hr/> 300,000	<hr/> 51,500
	<hr/> <hr/>	<hr/> <hr/>

6 Debtors

	1999 £	1998 £
Trade debtors	66,303	252,872
Other debtors	13,841	15,862
Prepayments and accrued income	9,533	-
	<hr/> 89,677	<hr/> 268,734
	<hr/> <hr/>	<hr/> <hr/>

7 Creditors: amounts falling due within one year

	1999 £	1998 £
Amounts owed to parent undertaking:		
Cash at University Chest - overdraft	141,450	136,363
Distributions due	72,549	77,242
Accruals and deferred income	194,291	224,383
	<hr/> 408,290	<hr/> 437,988
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Called-up share capital

	1999 £	1998 £
Authorised, allotted, called-up and fully paid: 400,000 shares of £1 each	400,000	400,000

9 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Shareholders' funds brought forward	51,918	249,455
Loss for the year	(260,877)	(197,537)
Shareholders' funds carried forward	(208,959)	51,918

All funds are attributable to equity shareholders.

10 Contingencies

The company is involved in litigation with a party claiming the right to be identified as a joint inventor of a product in respect of which they have filed a patent application. It is not possible to put a valuation on this claim at present.

11 Ultimate holding company

The company is a wholly owned subsidiary of the University of Oxford. Copies of the financial statements of the University of Oxford may be obtained from University's offices, Wellington Square, Oxford, OX1 2JD.