

Isis Innovation Limited

Directors' report and financial statements

31 March 2000

Registered number 2199542



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Isis Innovation Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors submit their report and the audited financial statements of the company for the year ended 31 March 2000.

Principal activities

The principal activity of the company is the commercialisation of research ideas generated by academics at the University of Oxford. The University assigns its intellectual property to Isis Innovation Ltd 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 an annual subscription, among other services, receive notification of intellectual property generated prior to general marketing.

During the year substantial progress was made with assistance being given to the University and its colleges in the establishment of the Isis College Fund (a £10m investment fund for spin-out companies using Isis technology) and the company initiated the setting up of a Challenge Fund for early stage investment in the commercialisation of Oxford generated technology and continue to act as advisors to that fund.

Results and dividends

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

The directors do not recommend the payment of a dividend.

Directors

The following directors held office during the year:

Professor J.I. Bell
Professor J.M. Brady (resigned 23 September 1999)
J.R. Clements
Dr T. Cook
Professor C.J. Leaver
Dr W.G. Richards
Dr P.M. Williams (Chairman)
Dr K.G. McCullagh
B.J. Taylor

All directors are non-executive apart from Dr T Cook. No directors hold any interest in the shares of the company.

The company is wholly owned by the University of Oxford.

Directors' report *(continued)*

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
United Kingdom

Report of the auditors to the members of Isis Innovation Limited

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

29 January 2001

KPMG
Chartered Accountants
Registered Auditors

Profit and loss account
for the year ended 31 March 2000

	<i>Note</i>	2000 £	1999 £
Turnover	1	850,600	573,852
Cost of sales		(907,269)	(663,699)
		<hr/>	<hr/>
Gross loss		(56,669)	(89,847)
Administration expenses		(628,691)	(478,741)
Other operating income	5	856,500	300,000
		<hr/>	<hr/>
Operating profit /(loss)		171,140	(268,588)
Other interest receivable and similar income		6,980	7,771
		<hr/>	<hr/>
Profit/(Loss) on ordinary activities	2-4	178,120	(260,877)
		<hr/>	<hr/>
Accumulated losses brought forward		(608,959)	(348,082)
Profit/(Loss) for the financial year		178,120	(260,877)
		<hr/>	<hr/>
Accumulated losses carried forward		(430,839)	(608,959)
		<hr/>	<hr/>

The company has no other gains and losses other than those shown in the profit and loss account.

The results above relate to continuing activities.

Balance sheet
at 31 March 2000

	<i>Note</i>	2000 £	1999 £
Current assets			
Debtors	6	196,007	89,677
Cash at bank and in hand		183,838	109,654
		<u>379,845</u>	<u>199,331</u>
Creditors: amounts falling due within one year	7	<u>(410,684)</u>	<u>(408,290)</u>
Net assets		<u>(30,839)</u>	<u>(208,959)</u>
Capital and reserves			
Called up share capital	8	400,000	400,000
Profit and loss account		<u>(430,839)</u>	<u>(608,959)</u>
Equity shareholders' funds	9	<u>(30,839)</u>	<u>(208,959)</u>

These financial statements were approved by the board of directors on 21 September 2000 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 2000 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 company 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 minimus' limit of £10,000 for the capitalisation of expenditure on equipment.

Pensions

The administrative employees of the company are members of the University of Oxford Staff Pension Scheme, a defined benefit scheme, administered by the University of Oxford. Details of the scheme are included in the financial statement 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 2000 there were no contributions outstanding from the company.

Notes (continued)

2 Profit/(Loss) on ordinary activities

Profit/(Loss) on ordinary activities is stated after charging:

<i>Auditors remuneration:</i>	2000 £	1999 £
Audit	5,100	4,500
Other services	1,700	1,500
Lease payments - land and buildings	2,500	2,500
Operating lease payment - other	4,140	-
	<hr/>	<hr/>

3 Employees

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

	2000 No.	1999 No.
Administration	12	9
	<hr/>	<hr/>
	£	£
The total cost of their remuneration was:		
Wages and salaries	343,688	287,008
Social security costs	34,230	26,863
Other pension costs	32,710	31,579
	<hr/>	<hr/>
	410,628	345,450
	<hr/>	<hr/>

4 Directors' remuneration

	2000 £	1999 £
Directors' emoluments	94,857	80,817
Directors' pension contribution	10,682	10,262
	<hr/>	<hr/>
	105,539	91,079
	<hr/>	<hr/>

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



Notes (continued)

5 Other operating income

	2000 £	1999 £
Patenting services provided to the University of Oxford	845,000	300,000
Donation	11,500	-
	<u>856,500</u>	<u>300,000</u>

6 Debtors

	2000 £	1999 £
Trade debtors	190,826	66,303
Other debtors	1,848	13,841
Prepayments and accrued income	3,333	9,533
	<u>196,007</u>	<u>89,677</u>

Trade debtors include amounts recharged to the University Challenge Fund of £30,839

7 Creditors: amounts falling due within one year

	2000 £	1999 £
Amounts owed to parent undertaking:		
Cash at University Chest - overdraft	55,227	141,450
Distributions due	118,336	72,549
Other creditors including taxation and social security	8,150	-
Accruals and deferred income	228,971	194,291
	<u>410,684</u>	<u>408,290</u>

8 Called-up share capital

	2000 £	1999 £
Authorised, allotted, called-up and fully paid: 400,000 shares of £1 each	<u>400,000</u>	<u>400,000</u>



Notes (continued)

9 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Shareholders' funds brought forward	(208,959)	51,918
Profit/(Loss) for the year	178,120	(260,877)
	<hr/>	<hr/>
Shareholders' funds carried forward	(30,859)	(208,959)
	<hr/>	<hr/>

All funds are attributable to equity shareholders.

10 Financial Commitments

At 31 March, the company had annual commitments under non-cancellable operating leases as follows

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	-	1,010	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,010	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

11 Related party transactions

The board of directors include a number of individuals who bring extensive business expertise to the company. Consequently some of these directors will have interests in companies which trade with Isis Innovation Ltd. A summary of related party transactions is as follows:

- Oxford Instruments Plc and Powderject Pharmaceuticals Plc are both members of the Oxford Innovation Society and had paid their membership fees (£6,800) in full prior to the year end.
- Guidance Control System Ltd paid £7000 to the company as an option fee.
- Oxagen Ltd paid the company £153,078 in respect of licence fees and membership of the OIS. At the year end the company had a balance outstanding of £9,766.

Notes (continued)

12 Acquisitions during the year

On 13 September 1999 the company acquired a 50% holding in Missiongoal Limited, a company limited by guarantee and changed its name to Isis Angels Network. The other member of the company is the University of Oxford. This company has no assets or liabilities and has never traded in the period to March 2000. The liabilities of the members is limited to the extent of their guarantee of £1.

13 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.

