Isis Innovation Limited
Registration No. 02199542

Directors' Report and Financial Statements

For the year ended **31 March 2011**

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

Principal activities

The principal activity of the company during the year was the development, intellectual property protection and exploiting of research outputs emanating from the University of Oxford

The company also operates the Oxford Innovation Society, which is a subscription based society

Business review

Isis Innovation has the following three main activities

- Isis helps Oxford University researchers to commercialise intellectual property arising from their research, patenting, licensing, spin-out companies, and
- Isis manages Oxford University Consulting, which helps Oxford University researchers to identify and manage consulting opportunities and helps clients access experts from Oxford's world-class, interdisciplinary research base, and
- Isis provides consulting expertise and advice in technology transfer and innovation management to clients across the public and private sectors around the world through its Isis Enterprise division

Each of these showed strong business performance during the year

The company is dependent upon the availability of innovative research outputs from the University of Oxford and elsewhere, and upon the demand from industry and government for innovative technologies, academic expertise and advice on technology transfer and innovation management

The company's principal financial assets are bank balances,cash and trade and other receivables The credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The company's business grew steadily during the year The total income to the company grew by 12% The company performed well in each of its business areas, with particular growth in technology licensing and Isis Enterprise consulting income

The company made a profit on its business activities which resulted in a gift-aid donation to the University of Oxford

On 2 February 2011, the company issued a total of 350,000 ordinary shares with a nominal value of £1 for £350,000 cash consideration

Financial results, dividends and transfer to reserves

The results for the year are set out in the profit and loss account on page 7 The company continues to trade satisfactorily since the year end

The company's turnover grew to £8,300,000 (2010 £7,646,000) The company made payments out to the University of Oxford and academic consultants of £4,066,000 (2010 £3,800,000)

The profit for the year, before accounting for the gift aid payment to the University of Oxford, was £767,000 (2010 £794,000) The gift aid payment for the year was £784,000 (2010 £803,000)

The directors do not recommend the payment of a dividend (2010 £nil)

Directors' report (continued)

Going concern

The financial statements have been prepared on the assumption that the Company will continue as a going concern

The Company has a strong balance sheet position, with significant amount of cash at bank and in hand In addition, the Company has received assurance of financial support from its ultimate parent company, University of Oxford, for the next two years from the balance sheet date Having considered these circumstances, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Together with the financial support provided by University of Oxford, the Company will continue to be driven as a going concern entity Thus the directors continue to adopt the going concern basis in preparing the financial statements

Directors

The directors who held office during the year and to the date of signing were as follows

B J Taylor (Chairman)
Professor J I Bell
Professor M Brady
Dr T Cook
Professor S Davies
Mrs A V Hacker
T Hockaday
N Keen
G Kerr
Dr J S Knowland
Professor E McKendrick

All directors are non-executive apart from T Hockaday

The company is wholly owned by the University of Oxford

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware, and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Approved by the Board of Directors
and signed on behalf of the Board

T. Hockaday
Director

5 JULY 2011

Registered Office
University Offices
Wellington Square
Oxford
OX1 2JD

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Report of the independent auditor to the members of Isis Innovation Limited

We have audited the financial statements of Isis Innovation Limited for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Susan Barratt

Susan Barratt BA ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
6 July 2011

Profit and loss account

for the year ended 31 March 2011	Note	2011 £'000	2010 £'000
Turnover	2	**8,300**	7,646
Cost of sales		**(6,462)**	(5,818)
Gross profit		**1,838**	1,828
Administrative expenses		**(3,974)**	(3,881)
Other operating income		**2,895**	2,843
Operating profit		**759**	790
Interest receivable and similar income	6	**8**	4
Profit on ordinary activities before gift aid and taxation		**767**	794
Gift aid payable to the University of Oxford	7	**(784)**	(803)
Loss on ordinary activities after gift aid donation and before taxation	3	**(17)**	(9)
Taxation	8	**-**	-
Loss on ordinary activities after gift aid donation and taxation	14,15	**(17)**	(9)

The company has no other gains and losses in both the current and preceding year other than those shown in the profit and loss account Accordingly, no statement of total recognised gains and losses is presented

The results above derive from continuing activities

Balance Sheet
as at 31 March 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed Assets					
Tangible assets	9		54		90
Investments	18		-		-
			54		90
Current Assets					
Debtors	10	1,543		1,260	
Cash at bank and in hand		2,369		2,932	
		3,912		4,192	
Creditors: amounts falling due within one year	11	(2,278)		(2,989)	
Net current assets			1,634		1,203
Total assets less current liabilities			1,688		1,293
Creditors: amounts falling due in more than one year	12		(300)		(238)
Net assets			1,388		1,055
Capital and reserves					
Called up share capital	13		1,750		1,400
Profit and loss account	14		(362)		(345)
Shareholder's funds	15		1,388		1,055

These financial statements of Isis Innovation Limited, registered number 02199542, were approved by the Board of Directors and authorised for issue on 5 July 2011 and were signed on its behalf by

B J Taylor

Chairman

Notes to the financial statements

1 Accounting Policies

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, and under the historical cost accounting rules

The company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of the University of Oxford and its cash flows are included within the consolidated cashflow statement of that entity (see note 19)

Going concern

The financial statements have been prepared on the assumption that the Company will continue as a going concern

The Company has a strong balance sheet position, with significant amount of cash at bank and in hand In addition, the Company has received assurance of financial support from its ultimate parent company, University of Oxford, for the next two years from the balance sheet date Having considered these circumstances, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Together with the financial support provided by University of Oxford, the Company will continue to be driven as a going concern entity Thus the directors continue to adopt the going concern basis in preparing the financial statements

Related parties

The company is exempt from the requirements of Financial Reporting Standard 8 ('Related Party Disclosures'), insofar as they apply to transactions with group undertakings, as it is a wholly owned subsidiary of the University of Oxford whose consolidated financial statements are publicly available (see note 19)

Consolidated accounts

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group (see notes 18 and 19)

Fixed assets and depreciations

Fixed assets are stated at cost less accumulated depreciation Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their useful economic lives as follows

Computer equipment	3 years

Turnover

Turnover represents income (excluding value added tax) from the exploitation of ideas emanating from the University of Oxford Income from licence fees is recognised when the company becomes entitled to it and no significant obligations remain Income from royalty agreements is only recorded to the extent that related cash has been received or is known to be receivable Income from subscriptions is deferred and recognised over the period to which it relates

All turnover is derived within the United Kingdom

Notes to the financial statements *(continued)*

1 **Accounting Policies** *(continued)*

Project expenditure

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

Taxation

No provision has been made for current or deferred tax on the grounds that the company transfers its taxable profits by Gift Aid to the University of Oxford and therefore no tax asset or liability will be realised in the company

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases

Patents and patent rights

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

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are charged to the profit and loss account

Pensions

The company participates in two principal pension schemes for its staff - the Universities Superannuation Scheme (USS) and the University of Oxford Staff Pension Scheme (OSPS), both of which are contributory defined benefit schemes and are contracted out from the State Second Pension Scheme Thirdly the company contributes to two seperate personal pension funds

The administrative employees of the company are members of the University of Oxford Staff Pension Scheme, a multi-employer defined benefit scheme, administered by the separate trustee-administered funds Details of the scheme are included in the financial statements of the University of Oxford The Company is unable to determine its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme Contributions to the scheme are therefore charged to the profit and loss account when incurred

Some employees of the company are members of Universities Superannuation Scheme, a multi-employer defined benefit scheme administered by the separate trustee-administered funds Details of the scheme are included in the financial statements of the University of Oxford The Company is unable to determine its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme Contributions to the scheme are therefore charged to the profit and loss account when incurred

Notes to the financial statements *(continued)*

2 Turnover

Turnover arises from the following classes of business

	2011 £'000	2010 £'000
Project Income	**5,444**	4,886
Consultancy and similar services	**2,656**	2,518
Subscriptions	**200**	242
	8,300	7,646

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2011 £'000	2010 £'000
Auditor's remuneration		
- Audit	**10**	10
Operating lease payment – plant and machinery	**3**	2
Loss on foreign exchange	**31**	17
Depreciation of owned tangible fixed assets	**36**	18

4 Employees

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

	2011 No.	2010 No
Executives	**1**	1
Management and administration	**57**	53
	58	54

	2011 £'000	2010 £'000
The total cost of their remuneration was		
Wages and salaries	**2,624**	2,574
Social security costs	**271**	264
Other pension costs	**264**	265
Total employees' remuneration (including directors)	**3,159**	3,103

Notes to the financial statements *(continued)*

5 Director's Remuneration

	2011 £'000	2010 £'000
Directors' emoluments	185	178
Directors' pension contributions	26	23
	211	201

Non-executive directors receive no remuneration from the company
One director (2010 one) is a member of the USS staff pension scheme, a defined benefit scheme

6 Interest Receivable

	2011 £'000	2010 £'000
Bank interest	8	4

7 Gift aid payable to the University of Oxford

	2011 £'000	2010 £'000
Payment in respect of the current year	784	803

8 Taxation

Analysis of tax charge in the year

	2011 £'000	2010 £'000
Current Tax		
UK Corporation Tax	-	-

The tax charge in the period is lower than the standard rate of corporation tax in the UK (28%) The differences are explained below

	2011 £'000	2010 £'000
Loss on ordinary activities before tax	(17)	(9)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2010 28%)	(5)	(3)
Differences between capital allowances and depreciation	6	3
Disallowed costs	1	2
Short term timing difference	-	(2)
Prior year adjustments	(2)	-
Total	-	-

Notes to the financial statements *(continued)*

8 Taxation (continued)

A deferred tax asset has not been recognised in respect of timing differences relating to fixed assets and revenue losses as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £50,000 (2010 £81,000) The asset would be recovered if the company generated sufficient taxable profits in the future

It was announced in the March 2011 Budget Statement that the main corporation tax rate will be further reduced to 26 percent from 1 April 2011 under the Provisional Collection of Taxes Act 1968 Further reductions are proposed to reduce the rate by 1 percent per annum to 23 percent by 1 April 2014

9 Tangible fixed assets

	Computer equipment
	£000
Cost	
At 1 April 2010 and 31 March 2011	**108**
Depreciation	
At 1 April 2010	**18**
Charge for the year	**36**
At 31 March 2011	**54**
Net book value	
At 31 March 2011	**54**
At 31 March 2010	**90**

10 Debtors

	2011	2010
	£'000	£'000
Trade debtors	**1,490**	1,164
Prepayments and accrued income	**53**	96
	1,543	1,260

All amounts are due within one year

Notes to the financial statements *(continued)*

11 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	**399**	400
Amounts due to group undertakings	**1,594**	2,255
Accruals and deferred income	**285**	334
	2,278	2,989

12 Creditors: amounts falling due in more than one year

	2011 £'000	2010 £'000
Accruals and deferred income	**300**	238

13 Called up share capital

	2011 £'000	2010 £'000
Authorised		
2,000,000 (2010 2,000,000) ordinary shares of £1 each	**2,000**	2,000
Allotted, called-up and fully paid		
1,750,000 (2010 1,400,000) ordinary shares of £1 each	**1,750**	1,400

On 2 February 2011, the company issued a total of 350,000 ordinary shares with a nominal value of £1 for £350,000 cash consideration

14 Reserves

	Profit & Loss account £'000
At 1 April 2010	**(345)**
Loss for the year	**(17)**
At 31 March 2011	**(362)**

15 Reconciliation of movements in shareholder's funds

	2011 £'000	2010 £'000
Shareholder's funds brought forward	**1,055**	1,064
Increase in share capital	**350**	-
Loss for the year	**(17)**	(9)
Shareholder's funds carried forward	**1,388**	1,055

Notes to the financial statements *(continued)*

16 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	Other 2011 £'000	Other 2010 £'000
Expiring between two and five years inclusive	**3**	2

17 Pensions

Qualified actuaries periodically value the Schemes Both OSPS and USS were valued using the "projected unit" method, embracing a market value approach The resulting levels of contribution take account of actuarial surpluses or deficits in each scheme The financial assumptions were derived from market conditions prevailing at the valuation date The results of the latest actuarial valuations and the assumptions, which have the most significant effect on the results of the latest valuations and the determination of the contribution levels, are shown in the following table, which is similar to those disclosed in the financial statement of the University of Oxford

	USS	OSPS
Date of valuation	31/03/2008	31/07/2007
Date valuation results published	04/02/2009	09/10/2008
Value of past service liabilities	£28,135m	£322m
Value of assets	£28,842m	£279m
Funding Deficit	(£707m)	(£43m)
Principal assumptions		
Rate of interest (past service liabilities)	4 4% pa	-
Rate of interest (future service liabilities)	6 1% pa	-
Rate of interest (periods up to retirement)	-	6 9% pa
Rate of interest (periods after retirement)	-	4 9% pa
Rate of increase in salaries	4 3% pa	4 8% pa
Rate of increase in pensions	3 3% pa	3 3% pa
Mortality assumptions		
Assumed life expectancy at age 65 (males)	23 yrs	22 0 yrs
Assumed life expectancy at age 65 (females)	25 yrs	24 0 yrs

Notes to the above tables

OSPS' actuarial valuation as at 31 July 2007 identified a required long-term employer contribution rate of 17 85% of total pensionable salaries, but also a funding deficit of £43m The University of Oxford, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by increasing the employer contribution rate to the previously agreed rate of 21 5% of total pensionable salaries with effect from 1 August 2008 The actuary has certified that the additional 3 65% contribution should eliminate the deficit by 31 July 2025

The USS employer contribution rate required for future service benefits alone at the date of the valuation was 16 0% of total pensionable salaries and the Trustee company, on the advice of the actuary, decided to implement the increase from 14% to 16% on 1 October 2009

Notes to the financial statements *(continued)*

18 Investments

Investments in subsidiary undertakings

Cost and net book value	**£'000**
At 1 April 2010 and 31 March 2011	-

The company has a 50% interest in Isis Angels Network, a company limited by guarantee The company is incorporated in the UK and its principal activity is to inform potential investors of potential spinouts emanating from the University of Oxford

The company has a 100% interest in Isis Innovation (Hong Kong) Ltd, a company limited by share capital The company is incorporated in Hong Kong and its principal activity is to facilitate the growth and presence of the company throughout the Asia region Initial investment was HK$100

19 Ultimate parent undertaking and controlling party

The company is a 100% subsidiary of, and is controlled by, the University of Oxford which is the only group including the company for which consolidated accounts are produced Copies of the accounts of the University of Oxford may be obtained from

University Offices,
Wellington Square,
Oxford,
OX1 2JD