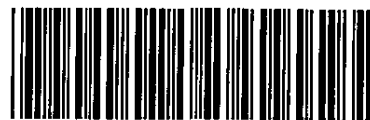


Isis Innovation Limited
Registration No. 02199542

Directors' Report and Financial
Statements

For the year ended **31 March 2010**

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2010

Principal activities

The principal activity of the company during the year was the development, patenting and exploiting of ideas 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,
- Isis manages Oxford University Consulting, which helps Oxford University researchers to identify and manage consulting opportunities 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

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 business grew steadily during the year. The total income to the company grew by over 30%. The company performed well in each of its business areas, with particular growth in technology licensing and technology transfer consulting income

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

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 £7,646,000 (2009 £5,805,000). The company made payments out to the University of Oxford and academic consultants of £3,800,000 (2009 £2,600,000)

The profit for the year, before accounting for the gift aid payment to the University of Oxford, was £794,000 (2009 £923,000). The gift aid payment for the year was £803,000 (2009 £286,000)

The directors do not recommend the payment of a dividend (2009 £nil)

Going concern

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

The current recessionary economic conditions are expected to have created substantial uncertainty regarding opportunities for growth and profits in the near term

However, the directors do not believe the current recessionary economic conditions will have an immediate adverse effect on the company and business operation pattern. 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 three years. 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 auditors

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 auditors are 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 auditors are 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

M B. Fleet
Secretary



21 July 2010

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.

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

We have audited the financial statements of Isis Innovation Limited for the year ended 31 March 2010 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 auditors' 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 auditors

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 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 (APB'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.

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 2010 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.

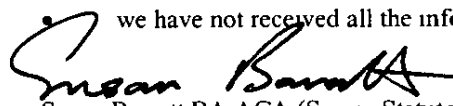
Opinion on other matters prescribed by the Companies Act 2006

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 BA ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading, United Kingdom

17 September 2010

Profit and loss account

		2010	2009
<i>for the year ended 31 March 2010</i>	Note	£'000	£'000
Turnover	2	7,646	5,805
Cost of sales		(5,818)	(4,378)
Gross profit		1,828	1,427
Administrative expenses		(3,881)	(3,393)
Other operating income		2,843	2,822
Operating profit		790	856
Interest receivable and similar income	6	4	67
Profit on ordinary activities before gift aid and taxation		794	923
Gift aid payable to the University of Oxford	7	(803)	(286)
(Loss)/profit on ordinary activities before taxation	3	(9)	637
Taxation	8	-	-
(Loss)/profit on ordinary activities after taxation	13,14	(9)	637

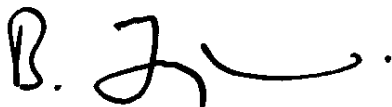
The company has no other gains and losses in both the current and preceding year other than those shown in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

The results above derive from continuing activities.

Balance Sheet
as at 31 March 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed Assets					
Tangible assets	9		90		-
Investments	18		-		-
			<u>90</u>		<u>-</u>
Current Assets					
Debtors	10	1,260		838	
Cash at bank and in hand		2,932		1,991	
		<u>4,192</u>		<u>2,829</u>	
Creditors: amounts falling due within one year	11	<u>(2,989)</u>		<u>(1,590)</u>	
Net current assets			<u>1,203</u>		<u>1,239</u>
Total assets less current liabilities			<u>1,293</u>		<u>1,239</u>
Creditors: amounts falling due in more than one year	12		<u>(238)</u>		<u>(175)</u>
Net assets			<u><u>1,055</u></u>		<u><u>1,064</u></u>
Capital and reserves					
Called up share capital	13		1,400		1,400
Profit and loss account	14		(345)		(336)
Shareholder's funds	15		<u><u>1,055</u></u>		<u><u>1,064</u></u>

These financial statements of Isis Innovation Limited, registered number 02199542, were approved by the Board of Directors and authorised for issue on 21 July 2010 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 current recessionary economic conditions are expected to have created substantial uncertainty regarding opportunities for growth and profits in the near term.

However, the directors do not believe the current recessionary economic conditions will have an immediate adverse effect on the company and business operation pattern. 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 three years. 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 separate 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

	2010	2009
	£'000	£'000
Project Income	4,886	3,498
Consultancy and similar services	2,518	2,045
Subscriptions	242	262
	<u>7,646</u>	<u>5,805</u>

3 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging

	2010	2009
	£'000	£'000
Auditors' remuneration		
- Audit	10	8
Operating lease payment – plant and machinery	2	2
Loss on foreign exchange	17	4
	<u>29</u>	<u>14</u>

4 Employees

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

	2010	2009
	No.	No
Executives	1	1
Management and administration	53	47
	<u>54</u>	<u>48</u>

	2010	2009
	£'000	£'000
The total cost of their remuneration was		
Wages and salaries	2,574	2,287
Social security costs	264	228
Other pension costs	265	232
Total employees' remuneration (including directors)	<u>3,103</u>	<u>2,747</u>

Notes to the financial statements *(continued)*

5 Director's Remuneration

	2010 £'000	2009 £'000
Directors' emoluments	178	159
Directors' pension contributions	23	20
	<u>201</u>	<u>179</u>

Non-executive directors receive no remuneration from the company

One executive director (2009 one) is a member of the USS staff pension scheme, a defined benefit scheme

6 Interest Receivable

	2010 £'000	2009 £'000
Bank interest	<u>4</u>	<u>67</u>

7 Gift aid payable to the University of Oxford

	2010 £'000	2009 £'000
Payment in respect of the current year	<u>803</u>	<u>286</u>

8 Taxation

Analysis of tax charge in the year

	2010 £'000	2009 £'000
Current Tax		
UK Corporation Tax	<u>-</u>	<u>-</u>

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

The

	2010 £'000	2009 £'000
(Loss)/profit on ordinary activities before tax	<u>(9)</u>	637
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 28% (2009 28%)	(3)	178
Differences between capital allowances and depreciation	3	(9)
Disallowed costs	2	16
Short term timing difference	(2)	-
Tax loss utilised	-	(185)
Total	<u>-</u>	<u>-</u>

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 £81,000 (2009 £80,000). The asset would be recovered if the company generated sufficient taxable profits in the future.

9 Tangible fixed assets

	Computer equipment
	£000
<i>Cost</i>	
At 1 April 2009	-
Additions	108
	<hr/>
At 31 March 2010	108
	<hr/>
<i>Depreciation</i>	
At 1 April 2009	-
Charge for the year	18
	<hr/>
At 31 March 2010	18
	<hr/>
<i>Net book value</i>	
At 31 March 2010	90
	<hr/> <hr/>
At 31 March 2009	-
	<hr/> <hr/>

10 Debtors

	2010	2009
	£'000	£'000
Trade debtors	1,164	776
Prepayments and accrued income	96	62
	<hr/>	<hr/>
	1,260	838
	<hr/> <hr/>	<hr/> <hr/>

All amounts are due within one year

Notes to the financial statements *(continued)*

11 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	400	102
Amounts due to group undertakings	2,255	1,055
Taxation and social security	-	48
Accruals and deferred income	334	385
	<u>2,989</u>	<u>1,590</u>

12 Creditors: amounts falling due in more than one year

	2010 £'000	2009 £'000
Accruals and deferred income	<u>238</u>	<u>175</u>

13 Called up share capital

	2010 £'000	2009 £'000
Authorised 2,000,000 (2009 2,000,000) ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Allotted, called-up and fully paid 1,400,000 (2009 1,400,000) ordinary shares of £1 each	<u>1,400</u>	<u>1,400</u>

14 Reserves

	Profit & Loss account £'000
At 1 April 2009	(336)
Loss for the year	(9)
At 31 March 2010	<u>(345)</u>

15 Reconciliation of movements in shareholder's funds

	2010 £'000	2009 £'000
Shareholder's funds brought forward	1,064	427
(Loss)/profit for the year	(9)	637
Shareholder's funds carried forward	<u>1,055</u>	<u>1,064</u>

Notes to the financial statements *(continued)*

16 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2010	2009
	Other £'000	Other £'000
Expiring between two and five years inclusive	<u>2</u>	<u>2</u>

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 2009	-
Addition	-
	<hr/>
At 31 March 2010	-
	<hr/> <hr/>

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 the 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

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