

Oxford University Innovation Limited
Annual Report and Financial Statements

Registered Number 02199542

31 July 2020



Oxford University Innovation Limited
Annual Report and Financial Statements

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Strategic Report

The directors present their annual report and the audited financial statements for the year ended 31 July 2020.

Business Overview

Oxford University Innovation Limited (the “Company” or “OUI”) is a wholly owned subsidiary of, and controlled by, the University of Oxford.

The principal commercial activities of OUI during the year were the development and commercialisation of research outputs emanating from the University of Oxford, the protection of associated intellectual property (IP) and the provision of an innovative consulting support service to clients around the world.

The Company generates a financial return from these activities. It also makes a substantial contribution to the University’s non-financial impact by transferring technologies for the benefit of the environment and for health improvements, promoting good news stories about the University in relation to successful exploitation of technologies, and promoting local engagement to the benefit of the local economy. Many organisations around the world view OUI as a successful model of university technology transfer, for which Oxford is well known and well regarded.

OUI is responsible for managing the formation of new spinout companies from the University of Oxford with the academic founders, on behalf of the University of Oxford. OUI does not own any equity in these spinout companies; the University’s ownership of these companies is held by the University directly. However, as part of an internal agreement with the University, the Company is entitled to a percentage of the proceeds due to the University from the sale of its equity holdings.

OUI does own equity in the start-ups created in the OUI incubator.

OUI has achieved another year of strong business performance, reporting total revenue of £25.0m (2019 £18.2m).

Business Model

OUI’s vision is a world leading innovation ecosystem with the University of Oxford at its heart. As architects of creative solutions, OUI enables the University community to maximise the global impact of Oxford’s research and expertise. OUI has set 5 key corporate goals: Global Impact, Engagement, Productivity, Resilience and Financial Sustainability. The actions for each of these goals are contained within the OUI strategic implementation plan.

OUI has the following three main activities:

- The Licensing and Ventures team collaborate with Oxford University researchers to identify, protect and manage commercially useful intellectual property arising from their research. This is translated into new products and services through licensing agreements and spinout companies. The Company returns the majority of income generated from this activity to the University for distribution under its revenue sharing rules;
- Consulting Services assists researchers in the identification and contracting of consulting opportunities and promotes the University’s world-class, interdisciplinary expertise. The Company returns the majority of income generated from this activity to academic consultants and the University;
- Investments and New Ventures manages the University’s shareholdings in its spinout companies and seeks ways of maximising the value of its equity stakes. The Investments and New Ventures team also manages the Company shareholdings in start-up companies and proof of concept funds on behalf of the University.

Strategic Report

Licensing and Ventures

The Licensing and Ventures team's vision is for OUI and the University of Oxford to be the global leaders in translating research into innovation and impact through the transfer of technology. The Licensing and Ventures group holds a portfolio of 4,800 patents and patent applications based on intellectual property arising from University of Oxford research (2019 – 4,300). During the year to 31 July 2020 there were 19 new entities created (2019 – 19), 359 new invention disclosures (2019 – 367) and 97 new patents filed (2019 – 109). The team continues to build on the close and highly valued working relationship with colleagues in Oxford University's Research Services office to ensure that intellectual property is correctly assigned and handled. The team generated £19.0m in income (2019 - £10.7m), of which £12.7m (2019 - £4.7m) has been distributed to the University of Oxford and its academic researchers.

In May 2015, the University of Oxford and the Company launched a partnership with a newly created company Oxford Sciences Innovation Plc (OSI), which has raised capital of approximately £600m, to support Oxford University's academics to commercialise their ideas through the creation of market-leading companies. The funding continues to provide a great opportunity for substantial investment in many spinouts as is evidenced by the increased numbers of new companies spun out from the University.

Consulting Services

Consulting Services' ("CS") vision is for Oxford to become as renowned for providing solutions through consultancy as it is for its teaching and research and to provide an outstanding service to academics. Over the period, CS opened 526 new projects (2019 – 535), concluded 529 deals with commercial clients (2019 – 535) and contracted with 347 clients (2019 – 336). Income for the year was £4.6m (2019 - £4.9m), of which £4.2m (2019 - £4.5m) was returned to the University and academics.

Investments and New Ventures

Investments and New Ventures manages the University's shareholdings in the spinout companies and invests selectively in the spinouts on behalf of the University. The total value of the University's portfolio of shares at 31st July 2020 was £138m (2019 £164m).

The Oxford Invention Fund and University Challenge Seed Fund received 14 proposals during the year (2019 – 12) and made 11 awards totalling £1.1m (2019 – 8 awards totalling £0.5m).

The University of Oxford Innovation Funds (managed by Parkwalk Advisors) provides UK-based private investors with an opportunity to invest in early stage technology companies as they spin out of Oxford University. The Funds seek to invest with the tax reliefs of the EIS and SEIS, where applicable. During the year, the University of Oxford Innovation Fund V committed funds of £1.1m (2019 - £0.9m) to companies.

Investments and New Ventures generated OUI income arising from equity realisations of £1.0m (2019 - £1.9m) during the year. This is included within Sundry fees of £1.3m in Turnover, alongside subscription income of £0.1m.

Strategic Report

Principal risks and uncertainties

The Company depends on the output of innovative research from the University of Oxford and the continued commercial demand for products and services derived from that research. The very strong research base of the University of Oxford mitigates the risk of reduction in research outputs. With an increasingly entrepreneurial population of researchers and the establishment of new funding sources such as that provided by OSI in recent years, this has resulted in strong growth in technology transfer and the establishment of new companies based on Oxford University research. External demand for Oxford innovations is expected to remain high based on the trend across many sectors to embrace open innovation.

The impact of the Covid-19 pandemic presents both short- and medium-term risk to OUI's business.

OUI has demonstrated that it can continue to perform its operations under lockdown restraints and continues to work remotely where possible. Reduced capacity for delivering business operations resulting from significant illness or covid-19 infection could present a material short term risk to business operations. Activity in the Licensing and Ventures business has remained high and management continue to review appropriate resource levels in this area. The demand for consulting services activity has fluctuated during the pandemic and management are monitoring this risk.

In the medium-term the following matters have been identified as risk factors arising from the Covid-19 pandemic:

- Reduction in research funding resulting in fewer invention disclosures
- Reduction in University income (eg foreign student fees) impacting University funding of research
- Reduction in seed fund investment resulting in less funding for spinout companies

The exit of Britain from the European Union has introduced some uncertainty in the availability of research funding in the short, medium and long term, and in the retention of academics without UK citizenship.

Changes in the UK political climate may also have an impact on Company activities should the government science and innovation policy alter.

OUI has established a working group comprised of members from the major functions within the organisation who review the company risk register on a regular basis. The working group identifies new risks, updates the ratings for likelihood and impact and retires risks that no longer apply. Mitigation actions are identified on the risk register and a method to assess the effect of those actions is under development. The output of this activity is an updated risk register that is reviewed by the Management team. This risk register is also reviewed on an annual basis by the OUI Board.

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 statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where an identified loss event has occurred which, based on previous experience, is likely to result in a reduction in the recoverability of planned future cash flows.

Future developments

The Company continues to review the value and service provided to academics and the wider University community from its activities. It is recognised that Company activities provide many non-financial benefits and contribute towards University impact goals. In the future the Company is keen to devise meaningful ways to measure and report on the success of these activities.

Company income in the coming year is expected to be lower than that delivered in financial year 2019-2020 due to significant one-off projects not repeating together with a conservative revenue forecast in the context of Covid-19.

Strategic Report

Since the year end the Company's board has approved a transfer of 2020 taxable profits by gift aid to the University of Oxford which amounts to £1.4m.

A substantial review is underway to determine how to develop and improve the innovation ecosystem centred on Oxford University. The Company is heavily involved in identifying enhancements to the commercialisation framework to help incentivise University academics and the student body to fully exercise the complete range of support services offered by OUI and similar organisations within the University.

M Perkins, Director

Directors' Report

Financial results and dividends

The results for the year are set out in the Income Statement on page 11.

The Company turnover for the period was £25.0m (2019: £18.2m). The profit for the year, before tax and Gift Aid payments to the University, was £1.0m (2019: £2.3m). OUI achieved this result after returning £16.8m (2019: £9.2m) to the University of Oxford, inventors and academic consultants which was a higher return than the £8.6m forecast for the financial year. Gift Aid payments to the University of Oxford made during the financial year in relation to 2019 results amounted to £1.3m. Since the 2020 balance sheet date the Company's board has agreed to transfer £1.4m to the University of Oxford via Gift Aid under the Deed of Covenant. This amount has not been provided for in the 2020 financial statements and will be recognised in the following year.

The directors do not recommend the payment of a dividend (2019: £nil).

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Employees

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not live with a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house intranet, staff meetings, briefing groups and the distribution of the annual review.

Going concern

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

The activity of the Company derives from commercialising research outputs on behalf of its ultimate parent, the University of Oxford, and income is generated from external parties together with a management fee from the University of Oxford. The ability of the Company to continue as a going concern is therefore linked to the ability of the University of Oxford to continue as a going concern and continue its research activity.

The directors have reviewed forecasts for the Company for a period of 12 months from the date of signing these financial statements. The Company is expected to operate within the levels of its retained profit and available cash reserves for the foreseeable future. In preparing these forecasts, the potential impacts of Covid-19 on the University of Oxford's research activity and on OUI's operations have been considered. The Company has a strong balance sheet position, with access to significant amounts of cash. In addition, the Company has received committed levels of funding from its parent, the University of Oxford, for the next 12 months from the date of signing the financial statements and the University of Oxford's commitment to research and commercialisation activity remains strong.

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. 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 this report were as follows:

Directors' Report

N. Keen - Chairman

Dr M. Perkins

Dr A. Stoten (resigned 12 February 2021)

Professor C. Bountra

Professor S. Davies

Professor L. Dolan (resigned 1 June 2020)

Dr R. Easton (appointed 29 June 2020)

J. Flint

Professor P. Grant

Professor D. Grimley

S. Gyimah (appointed 29 June 2020)

Dr A. Kukula (appointed 29 June 2020)

Professor H. McShane

L. Pearson (resigned 31 March 2021)

Professor L. Tarassenko

Professor S. Whatmore (resigned 19 October 2020)

Professor M. Wood

All directors are non-executive apart from Dr M. Perkins and Dr A. Stoten.

The Company is wholly owned by the University of Oxford.

Professor H. Viles was appointed as director on 19 October 2020.

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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors on 10 December 2020 and signed on behalf of the Board



S Pryor

Secretary

Registered Office

University of Oxford, Wellington Square, Oxford, OX1 2JD

Directors' Report

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 their profit or loss for that period. In preparing the company 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

Oxford University Innovation Limited
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Independent Auditor's Report to the Members of Oxford University Innovation Limited

Opinion

We have audited the financial statements of Oxford University Innovation Limited ("the parent company") for the year ended 31 July 2020 which comprise the Income Statement and Other Comprehensive Income, Statement of Financial Position, and the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2020 and of the profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Oxford University Innovation Limited
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Independent Auditor's Report to the Members of Oxford University Innovation Limited

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Dawson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham, B4 6GH
28 July 2021

Oxford University Innovation Limited
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Consolidated Statement of Financial Position
For the year ended 31 July 2020

	Note	2020 £'000	2019 £'000
Turnover	2	25,007	18,209
Cost of sales	3	(22,524)	(15,158)
Gross Profit		2,483	3,051
Administrative expenditure	5	(7,224)	(6,342)
Other operating income	2	5,790	5,598
Operating profit		1,049	2,307
Finance Income	6	35	48
Profit before taxation		1,084	2,355
Tax on profit	8	86	(64)
Profit for the Financial Year		1,170	2,291
Other Comprehensive Income			
Total comprehensive income for the period attributable to: Equity shareholders of the Company		1,170	2,291

The results above derive from continuing activities.

Oxford University Innovation Limited
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Statement of Financial Position
At 31 July 2020

	Note	2020 £'000	2019 £'000
Fixed Assets			
Tangible assets	9	183	220
Investments	18	3,780	3,979
		<u>3,963</u>	<u>4,199</u>
Current Assets			
Debtors	10	6,530	6,769
Cash and cash equivalents		6,091	5,497
		<u>12,621</u>	<u>12,266</u>
Creditors: Amounts falling due within one year	11	(6,917)	(6,556)
Net Current Assets		<u>5,704</u>	<u>5,710</u>
Total Assets less Current Liabilities		<u>9,667</u>	<u>9,909</u>
Creditors: Amounts falling due in more than one year	12	(57)	(63)
Net Assets excluding pension liability and deferred taxation		<u>9,610</u>	<u>9,846</u>
Pension liability	16	(9)	(12)
Deferred Taxation	17	(741)	(744)
Net Assets including pension liability and deferred taxation		<u>8,860</u>	<u>9,090</u>
Capital and Reserves			
Called-up share capital	13	1,750	1,750
Revaluation reserve		3,060	3,169
Profit and loss account		4,050	4,171
Total Capital Employed		<u>8,860</u>	<u>9,090</u>

These financial statements of Oxford University Innovation Limited, registered number 02199542, were approved by the Board of Directors and authorised for issue on 10 December 2020 and were signed on its behalf by:


N Keen
Chairman


M Perkins
Director

Oxford University Innovation Limited
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Statement of Changes in Equity
Year ended 31 July 2020

	Note	Called up Share Capital £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total Equity £'000
Total Comprehensive Income at 31 July 2018		1,750	2,613	3,446	7,809
Profit for the financial year		-	-	2,291	2,291
Currency translation on foreign operations		-	-	-	-
Gains on Investments	18	-	686	-	686
Gift-aid payable to the University of Oxford	7	-	-	(1,536)	(1,536)
Deferred taxation on provisions	17	-	-	(30)	(30)
Deferred taxation on unrealised gains in Investments	17	-	(130)	-	(130)
Total Comprehensive Income at 31 July 2019		1,750	3,169	4,171	9,090
Profit for the financial year		-	-	1,170	1,170
Currency translation on foreign operations		-	-	-	-
Loss on Investments	18	-	(135)	-	(135)
Gift-aid payable to the University of Oxford	7	-	-	(1,267)	(1,267)
Deferred taxation on provisions	17	-	-	(24)	(24)
Deferred taxation on unrealised gains in Investments	17	-	26	-	26
Total Comprehensive Income at 31 July 2020		1,750	3,060	4,050	8,860

Notes to the Financial Statements (continued)

Accounting Policies (continued)

1. Accounting Policies

Oxford University Innovation Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 02199542 and the registered address is:

Oxford University Innovation
University Offices
Wellington Square
Oxford
OX1 2JD

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value in accordance with the applicable accounting standard FRS 102 (Financial Reporting Standard 102).

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (FRS102) as issued in August 2014. The amendments to FRS102 issued in July 2015 have been applied. In preparing these financial statements the Company has adopted the amendments to FRS102 as set out in the Triennial review of 2017, amendments published in December 2017.

The Company is a wholly owned subsidiary of the University of Oxford. The functional currency of the Company is pound sterling and the United Kingdom is the primary economic environment in which it operates.

Going Concern

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

The activity of the Company derives from commercialising research outputs on behalf of its ultimate parent, the University of Oxford, and income is generated from external parties together with a management fee from the University of Oxford. The ability of the Company to continue as a going concern is therefore linked to the ability of the University of Oxford to continue as a going concern and continue its research activity.

The directors have reviewed forecasts for the Company for a period of 12 months from the date of signing these financial statements. The Company is expected to operate within the levels of its retained profit and available cash reserves for the foreseeable future. In preparing these forecasts, the potential impacts of Covid-19 on the University of Oxford's research activity and on OUI's operations have been considered. The Company has a strong balance sheet position, with access to significant amounts of cash. In addition, the Company has received committed levels of funding from its parent, the University of Oxford, for the next 12 months from the date of signing the financial statements and the University of Oxford's commitment to research and commercialisation activity remains strong.

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. Thus, the directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the Financial Statements (continued)
Accounting Policies (continued)

Disclosure Exemptions

Related parties

The Company is exempt under the requirement of section 33 of FRS 102 to disclose parent-subsidary relationships (related party disclosures), insofar as they apply to transactions with group undertakings, as it is a wholly owned subsidiary of the University of Oxford (see note 19).

Cash flow statement

The Company is exempt under the requirement of section 7 of FRS 102 to prepare a cash flow statement as it is a wholly owned subsidiary of the University of Oxford. Its cash flows are included within the consolidated cash flow statement of that entity.

Key Management Personnel

The company is exempt under the requirement of section 33 of FRS 102 to disclose the compensation of key management personnel (related party disclosures) as it is a wholly owned subsidiary of the University of Oxford.

Fixed Assets

Non-current assets consist of tangible assets, such as equipment having a useful economic life of greater than one year and not intended for resale.

Property, plant and equipment are depreciated using the straight-line method based on estimated useful lives.

Non-current assets are stated at cost and are depreciated on a straight-line basis over the following period.

- Office furniture and Equipment: 3 – 5 years
- Computer equipment: 3 Years
- Leasehold Improvements over the shorter of the remaining term of the lease or the expected useful life.

Turnover

Turnover represents income (excluding value added tax) recognised from the exploitation of ideas and consulting services emanating from the University of Oxford. Income from subscriptions is deferred and recognised over the period to which it relates.

Royalties

Income received from royalties is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Other Operating Income

This represents support given by the University of Oxford towards the costs of commercialisation of intellectual property incurred by Oxford University Innovation Limited and the ongoing management of Consulting Services.

Taxation

The charge for taxation is based on the profit or loss for the year and comprises current and deferred taxation. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other recognisable income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on all timing differences at the reporting date, except as otherwise indicated. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

Deferred tax assets are disclosed within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- The Company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or difference taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

A provision is made for current UK taxation where a liability arises after the Company has transferred some of its taxable profits by gift aid to the University of Oxford. Gift aid donations will only be made if the Company has positive distributable reserves. The directors have formally approved a transfer of taxable profits arising in the year to the University and this credit has been taken into account when calculating the taxation liability.

Leases

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease. Future commitments under operating leases are disclosed in note 15 (Financial commitments).

Patents and Patent rights

The Company currently owns the patents and patent rights to a number of inventions which may give rise to future economic benefit. The costs associated with these patents are written off to the Statement of Comprehensive Income 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 Currency

Transactions in foreign currencies are recorded at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on the translation are recognised in the Statement of Comprehensive income.

The results of overseas operations are translated at the average rates of exchange during the period and the balance sheet date at the reporting period. Exchange differences arising from this translation of foreign operations are reported as an item of the Statement of Other Comprehensive Income.

Basic Financial Instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes to the Financial Statements (continued)
Accounting Policies (continued)

Employment Benefits

Short-term employee benefits

Short-term employment benefits such as salaries and compensated absence are recognised as an expense in the year employees render services to the Company. A liability is recognised at each balance sheet date to the extent that employee holiday allowance has been accrued but not taken, the expense being recognised as staff costs in the profit and loss account.

Post-employment benefits (Pensions)

The Company operates two pension schemes for staff: the University of Oxford Staff Pension Scheme (OSPS) and a Company defined contribution scheme. Individual members are only eligible for one of the schemes.

The OSPS scheme is a hybrid pension scheme, providing defined benefits as well as benefits based on defined contributions. The assets of OSPS are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual employers and scheme-wide contribution rates are set. The Company is therefore exposed to actuarial risks associated with other employers' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the Company therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme. Since the Company has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the Company recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Statement of Comprehensive Income.

Investments

Listed investments and properties held as fixed asset investments and endowment asset investments are stated at market value at the balance sheet date. Investments in unquoted companies are valued in accordance with the International Private Equity and Venture Capital Guidelines (the 'IPEVC Guidelines') endorsed by the British & European Venture Capital Associations. The following considerations are used when calculating the fair value of unlisted securities.

Cost

Where the investment being valued was itself made recently, its cost may provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business.

Price of recent investment

The Company considers that fair value estimates based entirely on observable market data will be of greater reliability than those based on assumptions. Accordingly, where there has been any recent investment by third parties the price of that investment will generally provide a basis of the valuation. The length of period for which is remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment.

No reliable estimate

Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is objective evidence that the investment has since been impaired.

Notes to the Financial Statements (continued)
Accounting Policies (continued)

Material significant judgements and uncertainties

In the preparation of the Financial Statements the Company has made material judgements, estimates, and assumption. Discussion of these judgements, estimates and assumptions and their impact is included in relevant note disclosures, the main areas being;

Judgements

- Income recognition (note 2 (Turnover))
- Calculation of short term-employee benefit accrual (note 11 (Creditors: amounts falling due within one year))
- Calculation of the provision for funding of pension deficits (note 16 (Employee benefits))
- Valuation of Start-Up Investments (note 18 (Fixed asset investments))

Estimation, uncertainties and assumptions

- Depreciation of property, plant and equipment (note 9 (Tangible fixed assets))
- Provisions for irrecoverable debt (note 10 (Debtors))
- Going concern (note 1 (Accounting policies))

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

2 Turnover

Revenue arises from the following classes of business:

	2020 £'000	2019 £'000
Project income	19,000	10,665
Consultancy & similar services	4,587	4,892
Sundry fees	1,299	2,479
Subscriptions	121	173
	25,007	18,209
Other income	5,790	5,598

Other income of £5.8m (2019: £5.6m) comprised £5.8m (2019: £5.6m) management fee from the University of Oxford and associate funding £5k (2019: £5k).

3 Cost of Sales

Cost of sales arise from the following:

	2020 £'000	2019 £'000
Investing in the protection and development of intellectual property	5,628	5,935
Distributions of royalty and consulting income to the parent and its members	16,896	9,223
	22,524	15,158

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2020 £'000	2019 £'000
Auditors' remuneration for audit services	14	12
<i>Operating lease payments</i>		
Land and buildings	307	307
Plant and machinery	15	19
Net foreign exchange (gains)/losses	17	8
Depreciation of owned tangible fixed assets	37	37

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

5 Administrative Expenditure

Employees

Staff numbers

The average monthly number of employees (including executive directors) was:

	2020	2019
Executive	2	2
Management and administration	74	74
	76	76

Staff costs

Their aggregated remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	4,283	4,149
Social security costs	494	469
Other pension costs	406	271
Total Staff Costs	5,183	4,889

Directors' Remuneration

	2020 £'000	2019 £'000
Directors' emoluments	467	417
Pension contributions	23	30
	490	447
Highest paid Director		
Directors' emoluments	287	246
Pension contributions	10	17
	297	263

In the current year remuneration was paid to two executive directors (2019: one) and two non-executive directors (2019: three) in respect of their services to the Company.

6 Finance Income

	2020 £'000	2019 £'000
Bank interest	19	26
Intercompany interest	16	22
	35	48

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Notes to the Financial Statements (continued)

16 Employee benefits (continued)

7 Gift Aid payable to University of Oxford

	2020 £'000	2019 £'000
Gift aid payable under Deed of Covenant to the University of Oxford in respect of current year	1,267	1,536
Gift aid receivable in respect of previous years payments under Deed of Covenant	-	-
Net payment due to the University of Oxford	-	-

Since the balance sheet date the Company's Board have agreed a payment of £1.4m (2019: £1.3m) to be transferred to the University of Oxford in relation to the 2020 results. This transfer will be made from distributable profits. These amounts have not been included within the 2020 financial statements as the Board agreements were not made until after the balance sheet date.

8 Tax on profit on ordinary activities

Current tax

	2020 £'000	2019 £'000
UK Corporation Tax on income for the period	-	147
Withholding tax	21	4
Adjustments in respect of prior periods	(107)	(87)
	(86)	64

The tax charge in the period is lower than the standard rate of corporation tax in the UK of 19.00% (2019:19.00%). The differences are explained below:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	1,084	2,355
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19%	206	447
Difference between capital allowances and depreciation	2	(19)
Net effect of allowed and disallowed costs	76	(25)
Withholding tax	(21)	(1)
Impact of proposed Gift Aid transfer	(263)	(255)
	-	147

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for IFRS and UK GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

Notes to the Financial Statements (continued)
16 Employee benefits (continued)
9 Tangible fixed assets

	Fixtures & Fittings £'000	Equipment £'000	Total £'000
Cost or valuation			
Balance at 1 August 2019 and 31 July 2020	366	108	474
Depreciation			
Balance at 1 August 2019	146	108	254
Depreciation charged during the year	37	-	37
Balance at 31 July 2020	183	108	291
Net book value			
As at 31 July 2020	183	-	183
As at 31 July 2019	220	-	220

10 Debtors

Amounts falling due within one year:

	2020 £'000	2019 £'000
Trade debtors	2,504	2,191
Amounts owed by group undertakings	3,079	3,431
Prepayments and accrued income	947	1,147
	6,530	6,749

11 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	1,052	620
Amounts owed to other group entities	3,734	3,046
Accruals and deferred income	1,980	2,766
Short-term employee benefits	151	124
	6,917	6,556

12 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Accruals and deferred income	57	63

Deferred income relates to long-term contracts held by the Company and is recognised over the period to which the income relates. Long-term accruals relate to commitments undertaken by the Company at the balance sheet date.

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

13 Called-up share capital and reserves

	2020 £'000	2019 £'000
Authorised 2,000,000 (2018: 2,000,000) ordinary shares of £1 each	2,000	2,000
Allocated, called-up and fully-paid 1,750,000 (2019: 1,750,000) ordinary shares of £1 each	1,750	1,750

14 Financial instruments

	Company	
	2020 £'000	2019 £'000
Financial assets		
Measured at undiscounted amount receivable:		
Trade and other debtors	2,504	2,191
Accrued income	444	715
Cash and cash equivalents	6,091	5,497
	9,039	8,403
Financial liabilities		
Measured at undiscounted amount payable:		
Trade and other creditors	1,313	868
Accruals	2,302	1,939
	3,615	2,807

15 Financial commitments

Other financial commitments include lease commitments relating to operating leases on property and items of equipment. Total minimum lease payments under non-cancellable operating leases are analysed by due date as follows:

	2020 £'000	2019 £'000
Contracted but not provided for on operating lease commitments:		
One year	322	326
Between two to five years	1,230	1,230
More than five years	-	308
	1,552	1,864

16 Employee benefits

The Company participates in two principal pension schemes for its staff - the University of Oxford Staff Pension Scheme (OSPS) and a Company defined contribution scheme. The assets of each scheme are held in separate trustee-administered funds. OSPS is a contributory mixed benefit scheme (i.e. it provides benefits on a defined benefit basis – based on length of service and pensionable salary – and on a defined contribution basis – based on contributions into the scheme). OSPS is a multi-employer scheme and the Company is unable to identify its share of the underlying assets and liabilities relating to defined benefits of each scheme on a consistent and reasonable basis. Therefore, in accordance with the accounting standard FRS 102 paragraph 28.11, the University accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period. In the event of the withdrawal of any of the participating employers in OSPS,

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of the employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme.

Schemes accounted for under FRS 102 paragraph 28.11 as defined contribution schemes

Actuarial valuations

Qualified actuaries periodically value OSPS defined benefits using the 'projected unit method', embracing a market value approach. The resulting levels of contribution take account of actuarial surpluses or deficits in the 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 statements of the University of Oxford:

	OSPS
Date of valuation:	31/03/19
Date valuation results published:	19/06/20
Value of liabilities:	£848m
Value of assets:	£735m
Funding surplus / (deficit):	(£113m)
Principal assumptions:	
• Discount rate	Gilts +0.5% - 2.25%
• Rate of increase in salaries	RPI
• Rate of increase in pensions	Average RPI/CPI
Mortality assumptions:	
• Assumed life expectancy at age 65 (males)	21.7 yrs
• Assumed life expectancy at age 65 (females)	24.4 yrs
• Assumed life expectancy at age 45 (males)	23.0 yrs
• Assumed life expectancy at age 45 (females)	25.8 yrs
Funding Ratios:	
• Technical provisions basis	87%
• Statutory Pension Protection Fund basis	74%
• 'Buy-out' basis	60%
Recommended employer's contribution rate (as % of pensionable salaries):	19%
Effective date of next valuation:	31/03/22

The discount rather for the OSPS valuation was:

Pre-retirement: Equal to the UK nominal gilt curve at the valuation date plus 2.25% p.a. at each term

Post-retirement: Equal to the UK nominal gilt curve at the valuation date plus 0.5% p.a. at each term.

Increases to pensions in payment for the OSPS valuation were:

RPI inflation is derived from the geometric difference between the UK nominal gilt curve and the UK index-linked curve at the valuation date, less 0.3% p.a. at each term. CPI inflation is derived from the RPI inflation assumption, less the Scheme Actuary's best estimate of the long-term difference between RPI and the CPI inflation as applies from time to time (1.0% p.a. as at 31 March 2019).

For pension increases linked to inflation, a pension increase curve is constructed based on either the RPI, CPI or the average of the RPI and CPI inflation curves described above, adjusted to allow for the different maximum and minimum annual increases that apply, and the Scheme Actuary's best estimate of inflation volatility as applies from time to time.

The OSPS employer contribution rate includes provisions for the cost of future accrual of defined benefits, deficit contributions, administrative expenses and defined contributions.

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

Deficit Recovery Plans

In line with FRS 102 paragraph 28.11A, the Company has recognised a liability for the contributions payable for the agreed deficit funding plan. The principle assumptions used in these calculations is tabled below:

	OSPS
Finish Date for Deficit Recovery Plan	30/01/28
Average staff number increase	-20%
Average staff salary increase	3.00%
Average discount rate over period	0.74%
Effect of 0.5% change in discount rate	£0.1k
Effect of 1% change in staff growth	£0.3k

A provision of £0.01m has been made at 31 July 2020 (2019: £0.01m) for the present value of the estimated future deficit funding element of the contributions payable under these agreements, using the assumptions shown. The provision reduces as the deficit is paid off according to the pension recovery scheme.

Pension charge for the year

The pension charge recorded by the Company during the accounting period (excluding pension finance costs) was equal to the contributions payable after allowance for the deficit recovery plan.

A copy of the full actuarial valuation report and other further details on the scheme are available on the relevant website, <https://finance.web.ox.ac.uk/osps>.

Movement in pension provision

	2020	2019
	£'000	£'000
Opening balance	12	143
Unwinding of discount factor	-	3
Deficit contributions paid	(3)	(5)
Change in provision value	-	(129)
	9	12

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Notes to the Financial Statements (continued)

17 Deferred taxation

Deferred taxation is provided at 19% (2019: 19%) in the financial statements as set out below:

	2020 £'000	2019 £'000
Deferred tax asset (Included with other debtors)	2	3
Deferred tax liability	(741)	(744)

18 Fixed asset investments

Investments in subsidiary undertakings and spin-out companies:

Cost and net book value

	2020 £'000	2019 £'000
Opening balance	3,979	3,420
Share of joint venture's loss	-	-
Foreign exchange on consolidation	-	-
Investment gains recognised as earned	(135)	687
Net acquisition of shares in year	-	-
Net disposal of shares in year	(64)	(128)
	3,780	3,979

The Company holds investments arising from the Start-Up Incubator in thirty private companies with a total valuation of £3.8m (2019: £3.9m).

The Company has a 50% interest in Oxford Angels Network, a company limited by guarantee. The company is incorporated in the UK and its principal activity is to inform potential investors of spinouts emanating from the University of Oxford. There has been no active trade in Oxford Angels Network during the year (2019: £nil) and there are no assets to include on consolidation.

The Company has a 100% interest in Oxford University 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 (£10).

The Company disposed of all non-voting shares in Oxentia Limited received during the year and accordingly this interest has a value of nil at the balance sheet date (2019: £64k).

Name of JV	Isis Changzhou International Technology Transfer Centre Co. Ltd	Jinhui Guangxi Liuzhou International Technologies Co., Ltd	Shenzhen Zhongjin International Technology Transfer Center Limited	Isis Suzhou International Technology Centre Company Limited
Nature of business	Development, intellectual property protection and exploiting of research outputs from the University of Oxford and elsewhere in China	Development, intellectual property protection and exploiting of research outputs from the University of Oxford and elsewhere in China	Development, intellectual property protection and exploiting of research outputs from the University of Oxford and elsewhere in China	Development, intellectual property protection and exploiting of research outputs from the University of Oxford and elsewhere in China
Proportion of shares	40%	1%	25%	30%
Trading balances at 31st July 2020	£0	£0	£0	£0

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Notes to the Financial Statements (continued)

19 Transactions with Directors, Related Parties and Joint Ventures

The Company has taken advantage of the exemption in FRS 102 section 33 and has not disclosed transactions with other group companies.

Transactions with Directors

During the year three members of the board were reimbursed for the provision of consultancy services at rates charged on an arm's length basis.

Name	Position	Transaction	Details	Value (£)	Paid (£)	Outstanding at 31 July 2020
Professor L. Dolan	Board Director	Services	Fees charged at arm's length consultancy rates	37,125	37,125	-
Professor P. Grant	Board Director	Services	Fees charged at arm's length consultancy rates	10,293	10,293	-
Professor M. Wood	Board Director	Services	Fees charged at arm's length consultancy rates	54,000	54,000	-

Transactions with Joint Ventures

There were no transactions with Joint Ventures during the year (2019: nil).

Transactions with Related Parties.

During the year £nil was received from Syncona Investment Management Ltd for provision of consultancy services at rates charged on an arm's length basis (2019 – £360 inclusive of VAT).

There are no other related party transactions.

20 Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of the University of Oxford. The Company is a limited company and the University of Oxford is its sole shareholder, exercising a dominant influence over its operating and financial policies as a result. The Company is consolidated within the group financial statements of the University of Oxford, which is the only group including the Company for which consolidated financial statements are produced. Copies of the Financial Statements of the University of Oxford may be obtained from:

University Offices, Wellington Square, Oxford, OX1 2JD

Oxford University Innovation Limited
Annual Report and Financial Statements

Registered Number 02199542

31 July 2020

Oxford University Innovation Limited
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Strategic Report

The directors present their annual report and the audited financial statements for the year ended 31 July 2020.

Business Overview

Oxford University Innovation Limited (the “Company” or “OUI”) is a wholly owned subsidiary of, and controlled by, the University of Oxford.

The principal commercial activities of OUI during the year were the development and commercialisation of research outputs emanating from the University of Oxford, the protection of associated intellectual property (IP) and the provision of an innovative consulting support service to clients around the world.

The Company generates a financial return from these activities. It also makes a substantial contribution to the University’s non-financial impact by transferring technologies for the benefit of the environment and for health improvements, promoting good news stories about the University in relation to successful exploitation of technologies, and promoting local engagement to the benefit of the local economy. Many organisations around the world view OUI as a successful model of university technology transfer, for which Oxford is well known and well regarded.

OUI is responsible for managing the formation of new spinout companies from the University of Oxford with the academic founders, on behalf of the University of Oxford. OUI does not own any equity in these spinout companies; the University’s ownership of these companies is held by the University directly. However, as part of an internal agreement with the University, the Company is entitled to a percentage of the proceeds due to the University from the sale of its equity holdings.

OUI does own equity in the start-ups created in the OUI incubator.

OUI has achieved another year of strong business performance, reporting total revenue of £25.0m (2019 £18.2m).

Business Model

OUI’s vision is a world leading innovation ecosystem with the University of Oxford at its heart. As architects of creative solutions, OUI enables the University community to maximise the global impact of Oxford’s research and expertise. OUI has set 5 key corporate goals: Global Impact, Engagement, Productivity, Resilience and Financial Sustainability. The actions for each of these goals are contained within the OUI strategic implementation plan.

OUI has the following three main activities:

- The Licensing and Ventures team collaborate with Oxford University researchers to identify, protect and manage commercially useful intellectual property arising from their research. This is translated into new products and services through licensing agreements and spinout companies. The Company returns the majority of income generated from this activity to the University for distribution under its revenue sharing rules;
- Consulting Services assists researchers in the identification and contracting of consulting opportunities and promotes the University’s world-class, interdisciplinary expertise. The Company returns the majority of income generated from this activity to academic consultants and the University;
- Investments and New Ventures manages the University’s shareholdings in its spinout companies and seeks ways of maximising the value of its equity stakes. The Investments and New Ventures team also manages the Company shareholdings in start-up companies and proof of concept funds on behalf of the University.

Strategic Report

Licensing and Ventures

The Licensing and Ventures team's vision is for OUI and the University of Oxford to be the global leaders in translating research into innovation and impact through the transfer of technology. The Licensing and Ventures group holds a portfolio of 4,800 patents and patent applications based on intellectual property arising from University of Oxford research (2019 – 4,300). During the year to 31 July 2020 there were 19 new entities created (2019 – 19), 359 new invention disclosures (2019 – 367) and 97 new patents filed (2019 – 109). The team continues to build on the close and highly valued working relationship with colleagues in Oxford University's Research Services office to ensure that intellectual property is correctly assigned and handled. The team generated £19.0m in income (2019 - £10.7m), of which £12.7m (2019 - £4.7m) has been distributed to the University of Oxford and its academic researchers.

In May 2015, the University of Oxford and the Company launched a partnership with a newly created company Oxford Sciences Innovation Plc (OSI), which has raised capital of approximately £600m, to support Oxford University's academics to commercialise their ideas through the creation of market-leading companies. The funding continues to provide a great opportunity for substantial investment in many spinouts as is evidenced by the increased numbers of new companies spun out from the University.

Consulting Services

Consulting Services' ("CS") vision is for Oxford to become as renowned for providing solutions through consultancy as it is for its teaching and research and to provide an outstanding service to academics. Over the period, CS opened 526 new projects (2019 – 535), concluded 529 deals with commercial clients (2019 – 535) and contracted with 347 clients (2019 – 336). Income for the year was £4.6m (2019 - £4.9m), of which £4.2m (2019 - £4.5m) was returned to the University and academics.

Investments and New Ventures

Investments and New Ventures manages the University's shareholdings in the spinout companies and invests selectively in the spinouts on behalf of the University. The total value of the University's portfolio of shares at 31st July 2020 was £138m (2019 £164m).

The Oxford Invention Fund and University Challenge Seed Fund received 14 proposals during the year (2019 – 12) and made 11 awards totalling £1.1m (2019 – 8 awards totalling £0.5m).

The University of Oxford Innovation Funds (managed by Parkwalk Advisors) provides UK-based private investors with an opportunity to invest in early stage technology companies as they spin out of Oxford University. The Funds seek to invest with the tax reliefs of the EIS and SEIS, where applicable. During the year, the University of Oxford Innovation Fund V committed funds of £1.1m (2019 - £0.9m) to companies.

Investments and New Ventures generated OUI income arising from equity realisations of £1.0m (2019 - £1.9m) during the year. This is included within Sundry fees of £1.3m in Turnover, alongside subscription income of £0.1m.

Strategic Report

Principal risks and uncertainties

The Company depends on the output of innovative research from the University of Oxford and the continued commercial demand for products and services derived from that research. The very strong research base of the University of Oxford mitigates the risk of reduction in research outputs. With an increasingly entrepreneurial population of researchers and the establishment of new funding sources such as that provided by OSI in recent years, this has resulted in strong growth in technology transfer and the establishment of new companies based on Oxford University research. External demand for Oxford innovations is expected to remain high based on the trend across many sectors to embrace open innovation.

The impact of the Covid-19 pandemic presents both short- and medium-term risk to OUI's business.

OUI has demonstrated that it can continue to perform its operations under lockdown restraints and continues to work remotely where possible. Reduced capacity for delivering business operations resulting from significant illness or covid-19 infection could present a material short term risk to business operations. Activity in the Licensing and Ventures business has remained high and management continue to review appropriate resource levels in this area. The demand for consulting services activity has fluctuated during the pandemic and management are monitoring this risk.

In the medium-term the following matters have been identified as risk factors arising from the Covid-19 pandemic:

- Reduction in research funding resulting in fewer invention disclosures
- Reduction in University income (eg foreign student fees) impacting University funding of research
- Reduction in seed fund investment resulting in less funding for spinout companies

The exit of Britain from the European Union has introduced some uncertainty in the availability of research funding in the short, medium and long term, and in the retention of academics without UK citizenship.

Changes in the UK political climate may also have an impact on Company activities should the government science and innovation policy alter.

OUI has established a working group comprised of members from the major functions within the organisation who review the company risk register on a regular basis. The working group identifies new risks, updates the ratings for likelihood and impact and retires risks that no longer apply. Mitigation actions are identified on the risk register and a method to assess the effect of those actions is under development. The output of this activity is an updated risk register that is reviewed by the Management team. This risk register is also reviewed on an annual basis by the OUI Board.

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 statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where an identified loss event has occurred which, based on previous experience, is likely to result in a reduction in the recoverability of planned future cash flows.

Future developments

The Company continues to review the value and service provided to academics and the wider University community from its activities. It is recognised that Company activities provide many non-financial benefits and contribute towards University impact goals. In the future the Company is keen to devise meaningful ways to measure and report on the success of these activities.

Company income in the coming year is expected to be lower than that delivered in financial year 2019-2020 due to significant one-off projects not repeating together with a conservative revenue forecast in the context of Covid-19.

Strategic Report

Since the year end the Company's board has approved a transfer of 2020 taxable profits by gift aid to the University of Oxford which amounts to £1.4m.

A substantial review is underway to determine how to develop and improve the innovation ecosystem centred on Oxford University. The Company is heavily involved in identifying enhancements to the commercialisation framework to help incentivise University academics and the student body to fully exercise the complete range of support services offered by OUI and similar organisations within the University.

M Perkins, Director

Directors' Report

Financial results and dividends

The results for the year are set out in the Income Statement on page 11.

The Company turnover for the period was £25.0m (2019: £18.2m). The profit for the year, before tax and Gift Aid payments to the University, was £1.0m (2019: £2.3m). OUI achieved this result after returning £16.8m (2019: £9.2m) to the University of Oxford, inventors and academic consultants which was a higher return than the £8.6m forecast for the financial year. Gift Aid payments to the University of Oxford made during the financial year in relation to 2019 results amounted to £1.3m. Since the 2020 balance sheet date the Company's board has agreed to transfer £1.4m to the University of Oxford via Gift Aid under the Deed of Covenant. This amount has not been provided for in the 2020 financial statements and will be recognised in the following year.

The directors do not recommend the payment of a dividend (2019: £nil).

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Employees

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not live with a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house intranet, staff meetings, briefing groups and the distribution of the annual review.

Going concern

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

The activity of the Company derives from commercialising research outputs on behalf of its ultimate parent, the University of Oxford, and income is generated from external parties together with a management fee from the University of Oxford. The ability of the Company to continue as a going concern is therefore linked to the ability of the University of Oxford to continue as a going concern and continue its research activity.

The directors have reviewed forecasts for the Company for a period of 12 months from the date of signing these financial statements. The Company is expected to operate within the levels of its retained profit and available cash reserves for the foreseeable future. In preparing these forecasts, the potential impacts of Covid-19 on the University of Oxford's research activity and on OUI's operations have been considered. The Company has a strong balance sheet position, with access to significant amounts of cash. In addition, the Company has received committed levels of funding from its parent, the University of Oxford, for the next 12 months from the date of signing the financial statements and the University of Oxford's commitment to research and commercialisation activity remains strong.

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. 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 this report were as follows:

Directors' Report

N. Keen - Chairman

Dr M. Perkins

Dr A. Stoten (resigned 12 February 2021)

Professor C. Bountra

Professor S. Davies

Professor L. Dolan (resigned 1 June 2020)

Dr R. Easton (appointed 29 June 2020)

J. Flint

Professor P. Grant

Professor D. Grimley

S. Gyimah (appointed 29 June 2020)

Dr A. Kukula (appointed 29 June 2020)

Professor H. McShane

L. Pearson (resigned 31 March 2021)

Professor L. Tarassenko

Professor S. Whatmore (resigned 19 October 2020)

Professor M. Wood

All directors are non-executive apart from Dr M. Perkins and Dr A. Stoten.

The Company is wholly owned by the University of Oxford.

Professor H. Viles was appointed as director on 19 October 2020.

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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors on 10 December 2020 and signed on behalf of the Board



S Pryor

Secretary

Registered Office

University of Oxford, Wellington Square, Oxford, OX1 2JD

Directors' Report

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 their profit or loss for that period. In preparing the company 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

Oxford University Innovation Limited
Annual Report and Financial Statements

Independent Auditor's Report to the Members of Oxford University Innovation Limited

Opinion

We have audited the financial statements of Oxford University Innovation Limited ("the parent company") for the year ended 31 July 2020 which comprise the Income Statement and Other Comprehensive Income, Statement of Financial Position, and the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2020 and of the profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of Oxford University Innovation Limited

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Dawson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham, B4 6GH
28 July 2021

Oxford University Innovation Limited
Annual Report and Financial Statements

Consolidated Statement of Financial Position
For the year ended 31 July 2020

	Note	2020 £'000	2019 £'000
Turnover	2	25,007	18,209
Cost of sales	3	(22,524)	(15,158)
Gross Profit		2,483	3,051
Administrative expenditure	5	(7,224)	(6,342)
Other operating income	2	5,790	5,598
Operating profit		1,049	2,307
Finance Income	6	35	48
Profit before taxation		1,084	2,355
Tax on profit	8	86	(64)
Profit for the Financial Year		1,170	2,291
Other Comprehensive Income			
Total comprehensive income for the period attributable to: Equity shareholders of the Company		1,170	2,291

The results above derive from continuing activities.

Oxford University Innovation Limited
Annual Report and Financial Statements

Statement of Financial Position
At 31 July 2020

	Note	2020 £'000	2019 £'000
Fixed Assets			
Tangible assets	9	183	220
Investments	18	3,780	3,979
		<u>3,963</u>	<u>4,199</u>
Current Assets			
Debtors	10	6,530	6,769
Cash and cash equivalents		6,091	5,497
		<u>12,621</u>	<u>12,266</u>
Creditors: Amounts falling due within one year	11	(6,917)	(6,556)
Net Current Assets		<u>5,704</u>	<u>5,710</u>
Total Assets less Current Liabilities		<u>9,667</u>	<u>9,909</u>
Creditors: Amounts falling due in more than one year	12	(57)	(63)
Net Assets excluding pension liability and deferred taxation		<u>9,610</u>	<u>9,846</u>
Pension liability	16	(9)	(12)
Deferred Taxation	17	(741)	(744)
Net Assets including pension liability and deferred taxation		<u>8,860</u>	<u>9,090</u>
Capital and Reserves			
Called-up share capital	13	1,750	1,750
Revaluation reserve		3,060	3,169
Profit and loss account		4,050	4,171
Total Capital Employed		<u>8,860</u>	<u>9,090</u>

These financial statements of Oxford University Innovation Limited, registered number 02199542, were approved by the Board of Directors and authorised for issue on 10 December 2020 and were signed on its behalf by:


N Keen
Chairman


M Perkins
Director

Oxford University Innovation Limited
Annual Report and Financial Statements

Statement of Changes in Equity
Year ended 31 July 2020

	Note	Called up Share Capital £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total Equity £'000
Total Comprehensive Income at 31 July 2018		1,750	2,613	3,446	7,809
Profit for the financial year		-	-	2,291	2,291
Currency translation on foreign operations		-	-	-	-
Gains on Investments	18	-	686	-	686
Gift-aid payable to the University of Oxford	7	-	-	(1,536)	(1,536)
Deferred taxation on provisions	17	-	-	(30)	(30)
Deferred taxation on unrealised gains in Investments	17	-	(130)	-	(130)
Total Comprehensive Income at 31 July 2019		1,750	3,169	4,171	9,090
Profit for the financial year		-	-	1,170	1,170
Currency translation on foreign operations		-	-	-	-
Loss on Investments	18	-	(135)	-	(135)
Gift-aid payable to the University of Oxford	7	-	-	(1,267)	(1,267)
Deferred taxation on provisions	17	-	-	(24)	(24)
Deferred taxation on unrealised gains in Investments	17	-	26	-	26
Total Comprehensive Income at 31 July 2020		1,750	3,060	4,050	8,860

Notes to the Financial Statements (continued)

Accounting Policies (continued)

1. Accounting Policies

Oxford University Innovation Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 02199542 and the registered address is:

Oxford University Innovation
University Offices
Wellington Square
Oxford
OX1 2JD

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value in accordance with the applicable accounting standard FRS 102 (Financial Reporting Standard 102).

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (FRS102) as issued in August 2014. The amendments to FRS102 issued in July 2015 have been applied. In preparing these financial statements the Company has adopted the amendments to FRS102 as set out in the Triennial review of 2017, amendments published in December 2017.

The Company is a wholly owned subsidiary of the University of Oxford. The functional currency of the Company is pound sterling and the United Kingdom is the primary economic environment in which it operates.

Going Concern

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

The activity of the Company derives from commercialising research outputs on behalf of its ultimate parent, the University of Oxford, and income is generated from external parties together with a management fee from the University of Oxford. The ability of the Company to continue as a going concern is therefore linked to the ability of the University of Oxford to continue as a going concern and continue its research activity.

The directors have reviewed forecasts for the Company for a period of 12 months from the date of signing these financial statements. The Company is expected to operate within the levels of its retained profit and available cash reserves for the foreseeable future. In preparing these forecasts, the potential impacts of Covid-19 on the University of Oxford's research activity and on OUI's operations have been considered. The Company has a strong balance sheet position, with access to significant amounts of cash. In addition, the Company has received committed levels of funding from its parent, the University of Oxford, for the next 12 months from the date of signing the financial statements and the University of Oxford's commitment to research and commercialisation activity remains strong.

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. Thus, the directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

Disclosure Exemptions

Related parties

The Company is exempt under the requirement of section 33 of FRS 102 to disclose parent-subsidiary relationships (related party disclosures), insofar as they apply to transactions with group undertakings, as it is a wholly owned subsidiary of the University of Oxford (see note 19).

Cash flow statement

The Company is exempt under the requirement of section 7 of FRS 102 to prepare a cash flow statement as it is a wholly owned subsidiary of the University of Oxford. Its cash flows are included within the consolidated cash flow statement of that entity.

Key Management Personnel

The company is exempt under the requirement of section 33 of FRS 102 to disclose the compensation of key management personnel (related party disclosures) as it is a wholly owned subsidiary of the University of Oxford.

Fixed Assets

Non-current assets consist of tangible assets, such as equipment having a useful economic life of greater than one year and not intended for resale.

Property, plant and equipment are depreciated using the straight-line method based on estimated useful lives.

Non-current assets are stated at cost and are depreciated on a straight-line basis over the following period.

- Office furniture and Equipment: 3 – 5 years
- Computer equipment: 3 Years
- Leasehold Improvements over the shorter of the remaining term of the lease or the expected useful life.

Turnover

Turnover represents income (excluding value added tax) recognised from the exploitation of ideas and consulting services emanating from the University of Oxford. Income from subscriptions is deferred and recognised over the period to which it relates.

Royalties

Income received from royalties is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Other Operating Income

This represents support given by the University of Oxford towards the costs of commercialisation of intellectual property incurred by Oxford University Innovation Limited and the ongoing management of Consulting Services.

Taxation

The charge for taxation is based on the profit or loss for the year and comprises current and deferred taxation. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other recognisable income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on all timing differences at the reporting date, except as otherwise indicated.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

Deferred tax assets are disclosed within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- The Company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or difference taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

A provision is made for current UK taxation where a liability arises after the Company has transferred some of its taxable profits by gift aid to the University of Oxford. Gift aid donations will only be made if the Company has positive distributable reserves. The directors have formally approved a transfer of taxable profits arising in the year to the University and this credit has been taken into account when calculating the taxation liability.

Leases

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease. Future commitments under operating leases are disclosed in note 15 (Financial commitments).

Patents and Patent rights

The Company currently owns the patents and patent rights to a number of inventions which may give rise to future economic benefit. The costs associated with these patents are written off to the Statement of Comprehensive Income 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 Currency

Transactions in foreign currencies are recorded at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on the translation are recognised in the Statement of Comprehensive income.

The results of overseas operations are translated at the average rates of exchange during the period and the balance sheet date at the reporting period. Exchange differences arising from this translation of foreign operations are reported as an item of the Statement of Other Comprehensive Income.

Basic Financial Instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes to the Financial Statements (continued)
Accounting Policies (continued)

Employment Benefits

Short-term employee benefits

Short-term employment benefits such as salaries and compensated absence are recognised as an expense in the year employees render services to the Company. A liability is recognised at each balance sheet date to the extent that employee holiday allowance has been accrued but not taken, the expense being recognised as staff costs in the profit and loss account.

Post-employment benefits (Pensions)

The Company operates two pension schemes for staff: the University of Oxford Staff Pension Scheme (OSPS) and a Company defined contribution scheme. Individual members are only eligible for one of the schemes.

The OSPS scheme is a hybrid pension scheme, providing defined benefits as well as benefits based on defined contributions. The assets of OSPS are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual employers and scheme-wide contribution rates are set. The Company is therefore exposed to actuarial risks associated with other employers' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the Company therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme. Since the Company has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the Company recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Statement of Comprehensive Income.

Investments

Listed investments and properties held as fixed asset investments and endowment asset investments are stated at market value at the balance sheet date. Investments in unquoted companies are valued in accordance with the International Private Equity and Venture Capital Guidelines (the 'IPEVC Guidelines') endorsed by the British & European Venture Capital Associations. The following considerations are used when calculating the fair value of unlisted securities.

Cost

Where the investment being valued was itself made recently, its cost may provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business.

Price of recent investment

The Company considers that fair value estimates based entirely on observable market data will be of greater reliability than those based on assumptions. Accordingly, where there has been any recent investment by third parties the price of that investment will generally provide a basis of the valuation. The length of period for which is remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment.

No reliable estimate

Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is objective evidence that the investment has since been impaired.

Notes to the Financial Statements (continued)
Accounting Policies (continued)

Material significant judgements and uncertainties

In the preparation of the Financial Statements the Company has made material judgements, estimates, and assumption. Discussion of these judgements, estimates and assumptions and their impact is included in relevant note disclosures, the main areas being;

Judgements

- Income recognition (note 2 (Turnover))
- Calculation of short term-employee benefit accrual (note 11 (Creditors: amounts falling due within one year))
- Calculation of the provision for funding of pension deficits (note 16 (Employee benefits))
- Valuation of Start-Up Investments (note 18 (Fixed asset investments))

Estimation, uncertainties and assumptions

- Depreciation of property, plant and equipment (note 9 (Tangible fixed assets))
- Provisions for irrecoverable debt (note 10 (Debtors))
- Going concern (note 1 (Accounting policies))

Oxford University Innovation Limited
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Notes to the Financial Statements (continued)

16 Employee benefits (continued)

2 Turnover

Revenue arises from the following classes of business:

	2020 £'000	2019 £'000
Project income	19,000	10,665
Consultancy & similar services	4,587	4,892
Sundry fees	1,299	2,479
Subscriptions	121	173
	25,007	18,209
Other income	5,790	5,598

Other income of £5.8m (2019: £5.6m) comprised £5.8m (2019: £5.6m) management fee from the University of Oxford and associate funding £5k (2019: £5k).

3 Cost of Sales

Cost of sales arise from the following:

	2020 £'000	2019 £'000
Investing in the protection and development of intellectual property	5,628	5,935
Distributions of royalty and consulting income to the parent and its members	16,896	9,223
	22,524	15,158

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2020 £'000	2019 £'000
Auditors' remuneration for audit services	14	12
<i>Operating lease payments</i>		
Land and buildings	307	307
Plant and machinery	15	19
Net foreign exchange (gains)/losses	17	8
Depreciation of owned tangible fixed assets	37	37

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

5 Administrative Expenditure

Employees

Staff numbers

The average monthly number of employees (including executive directors) was:

	2020	2019
	<u>2</u>	<u>2</u>
Executive	2	2
Management and administration	74	74
	<u>76</u>	<u>76</u>

Staff costs

Their aggregated remuneration comprised:

	2020 £'000	2019 £'000
	<u>4,283</u>	<u>4,149</u>
Wages and salaries	4,283	4,149
Social security costs	494	469
Other pension costs	406	271
	<u>5,183</u>	<u>4,889</u>
Total Staff Costs	5,183	4,889

Directors' Remuneration

	2020 £'000	2019 £'000
	<u>467</u>	<u>417</u>
Directors' emoluments	467	417
Pension contributions	23	30
	<u>490</u>	<u>447</u>
	<u>287</u>	<u>246</u>
Highest paid Director	287	246
Directors' emoluments	287	246
Pension contributions	10	17
	<u>297</u>	<u>263</u>

In the current year remuneration was paid to two executive directors (2019: one) and two non-executive directors (2019: three) in respect of their services to the Company.

6 Finance Income

	2020 £'000	2019 £'000
	<u>19</u>	<u>26</u>
Bank interest	19	26
Intercompany interest	16	22
	<u>35</u>	<u>48</u>

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

7 Gift Aid payable to University of Oxford

	2020 £'000	2019 £'000
Gift aid payable under Deed of Covenant to the University of Oxford in respect of current year	1,267	1,536
Gift aid receivable in respect of previous years payments under Deed of Covenant	-	-
Net payment due to the University of Oxford	-	-

Since the balance sheet date the Company's Board have agreed a payment of £1.4m (2019: £1.3m) to be transferred to the University of Oxford in relation to the 2020 results. This transfer will be made from distributable profits. These amounts have not been included within the 2020 financial statements as the Board agreements were not made until after the balance sheet date.

8 Tax on profit on ordinary activities

Current tax

	2020 £'000	2019 £'000
UK Corporation Tax on income for the period	-	147
Withholding tax	21	4
Adjustments in respect of prior periods	(107)	(87)
	(86)	64

The tax charge in the period is lower than the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	1,084	2,355
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19%	206	447
Difference between capital allowances and depreciation	2	(19)
Net effect of allowed and disallowed costs	76	(25)
Withholding tax	(21)	(1)
Impact of proposed Gift Aid transfer	(263)	(255)
	-	147

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for IFRS and UK GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

Oxford University Innovation Limited
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Notes to the Financial Statements (continued)

16 Employee benefits (continued)

9 Tangible fixed assets

	Fixtures & Fittings £'000	Equipment £'000	Total £'000
Cost or valuation			
Balance at 1 August 2019 and 31 July 2020	366	108	474
Depreciation			
Balance at 1 August 2019	146	108	254
Depreciation charged during the year	37	-	37
Balance at 31 July 2020	183	108	291
Net book value			
As at 31 July 2020	183	-	183
As at 31 July 2019	220	-	220

10 Debtors

Amounts falling due within one year:

	2020 £'000	2019 £'000
Trade debtors	2,504	2,191
Amounts owed by group undertakings	3,079	3,431
Prepayments and accrued income	947	1,147
	6,530	6,749

11 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	1,052	620
Amounts owed to other group entities	3,734	3,046
Accruals and deferred income	1,980	2,766
Short-term employee benefits	151	124
	6,917	6,556

12 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Accruals and deferred income	57	63

Deferred income relates to long-term contracts held by the Company and is recognised over the period to which the income relates. Long-term accruals relate to commitments undertaken by the Company at the balance sheet date.

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

13 Called-up share capital and reserves

	2020 £'000	2019 £'000
Authorised 2,000,000 (2018: 2,000,000) ordinary shares of £1 each	2,000	2,000
Allocated, called-up and fully-paid 1,750,000 (2019: 1,750,000) ordinary shares of £1 each	1,750	1,750

14 Financial instruments

	Company	
	2020 £'000	2019 £'000
Financial assets		
Measured at undiscounted amount receivable:		
Trade and other debtors	2,504	2,191
Accrued income	444	715
Cash and cash equivalents	6,091	5,497
	9,039	8,403
Financial liabilities		
Measured at undiscounted amount payable:		
Trade and other creditors	1,313	868
Accruals	2,302	1,939
	3,615	2,807

15 Financial commitments

Other financial commitments include lease commitments relating to operating leases on property and items of equipment. Total minimum lease payments under non-cancellable operating leases are analysed by due date as follows:

	2020 £'000	2019 £'000
Contracted but not provided for on operating lease commitments:		
One year	322	326
Between two to five years	1,230	1,230
More than five years	-	308
	1,552	1,864

16 Employee benefits

The Company participates in two principal pension schemes for its staff - the University of Oxford Staff Pension Scheme (OSPS) and a Company defined contribution scheme. The assets of each scheme are held in separate trustee-administered funds. OSPS is a contributory mixed benefit scheme (i.e. it provides benefits on a defined benefit basis – based on length of service and pensionable salary – and on a defined contribution basis – based on contributions into the scheme). OSPS is a multi-employer scheme and the Company is unable to identify its share of the underlying assets and liabilities relating to defined benefits of each scheme on a consistent and reasonable basis. Therefore, in accordance with the accounting standard FRS 102 paragraph 28.11, the University accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period. In the event of the withdrawal of any of the participating employers in OSPS,

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of the employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme.

Schemes accounted for under FRS 102 paragraph 28.11 as defined contribution schemes

Actuarial valuations

Qualified actuaries periodically value OSPS defined benefits using the 'projected unit method', embracing a market value approach. The resulting levels of contribution take account of actuarial surpluses or deficits in the 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 statements of the University of Oxford:

	OSPS
Date of valuation:	31/03/19
Date valuation results published:	19/06/20
Value of liabilities:	£848m
Value of assets:	£735m
Funding surplus / (deficit):	(£113m)
Principal assumptions:	
• Discount rate	Gilts +0.5% - 2.25%
• Rate of increase in salaries	RPI
• Rate of increase in pensions	Average RPI/CPI
Mortality assumptions:	
• Assumed life expectancy at age 65 (males)	21.7 yrs
• Assumed life expectancy at age 65 (females)	24.4 yrs
• Assumed life expectancy at age 45 (males)	23.0 yrs
• Assumed life expectancy at age 45 (females)	25.8 yrs
Funding Ratios:	
• Technical provisions basis	87%
• Statutory Pension Protection Fund basis	74%
• 'Buy-out' basis	60%
Recommended employer's contribution rate (as % of pensionable salaries):	19%
Effective date of next valuation:	31/03/22

The discount rather for the OSPS valuation was:

Pre-retirement: Equal to the UK nominal gilt curve at the valuation date plus 2.25% p.a. at each term

Post-retirement: Equal to the UK nominal gilt curve at the valuation date plus 0.5% p.a. at each term.

Increases to pensions in payment for the OSPS valuation were:

RPI inflation is derived from the geometric difference between the UK nominal gilt curve and the UK index-linked curve at the valuation date, less 0.3% p.a. at each term. CPI inflation is derived from the RPI inflation assumption, less the Scheme Actuary's best estimate of the long-term difference between RPI and the CPI inflation as applies from time to time (1.0% p.a. as at 31 March 2019).

For pension increases linked to inflation, a pension increase curve is constructed based on either the RPI, CPI or the average of the RPI and CPI inflation curves described above, adjusted to allow for the different maximum and minimum annual increases that apply, and the Scheme Actuary's best estimate of inflation volatility as applies from time to time.

The OSPS employer contribution rate includes provisions for the cost of future accrual of defined benefits, deficit contributions, administrative expenses and defined contributions.

Notes to the Financial Statements (continued)

16 Employee benefits (continued)

Deficit Recovery Plans

In line with FRS 102 paragraph 28.11A, the Company has recognised a liability for the contributions payable for the agreed deficit funding plan. The principle assumptions used in these calculations is tabled below:

	OSPS
Finish Date for Deficit Recovery Plan	30/01/28
Average staff number increase	-20%
Average staff salary increase	3.00%
Average discount rate over period	0.74%
Effect of 0.5% change in discount rate	£0.1k
Effect of 1% change in staff growth	£0.3k

A provision of £0.01m has been made at 31 July 2020 (2019: £0.01m) for the present value of the estimated future deficit funding element of the contributions payable under these agreements, using the assumptions shown. The provision reduces as the deficit is paid off according to the pension recovery scheme.

Pension charge for the year

The pension charge recorded by the Company during the accounting period (excluding pension finance costs) was equal to the contributions payable after allowance for the deficit recovery plan.

A copy of the full actuarial valuation report and other further details on the scheme are available on the relevant website, <https://finance.web.ox.ac.uk/osps>.

Movement in pension provision

	2020	2019
	£'000	£'000
Opening balance	12	143
Unwinding of discount factor	-	3
Deficit contributions paid	(3)	(5)
Change in provision value	-	(129)
	9	12

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Notes to the Financial Statements (continued)

17 Deferred taxation

Deferred taxation is provided at 19% (2019: 19%) in the financial statements as set out below:

	2020 £'000	2019 £'000
Deferred tax asset (Included with other debtors)	2	3
Deferred tax liability	(741)	(744)

18 Fixed asset investments

Investments in subsidiary undertakings and spin-out companies:

Cost and net book value

	2020 £'000	2019 £'000
Opening balance	3,979	3,420
Share of joint venture's loss	-	-
Foreign exchange on consolidation	-	-
Investment gains recognised as earned	(135)	687
Net acquisition of shares in year	-	-
Net disposal of shares in year	(64)	(128)
	3,780	3,979

The Company holds investments arising from the Start-Up Incubator in thirty private companies with a total valuation of £3.8m (2019: £3.9m).

The Company has a 50% interest in Oxford Angels Network, a company limited by guarantee. The company is incorporated in the UK and its principal activity is to inform potential investors of spinouts emanating from the University of Oxford. There has been no active trade in Oxford Angels Network during the year (2019: £nil) and there are no assets to include on consolidation.

The Company has a 100% interest in Oxford University 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 (£10).

The Company disposed of all non-voting shares in Oxentia Limited received during the year and accordingly this interest has a value of nil at the balance sheet date (2019: £64k).

Name of JV	Isis Changzhou International Technology Transfer Centre Co. Ltd	Jinhui Guangxi Liuzhou International Technologies Co., Ltd	Shenzhen Zhongjin International Technology Transfer Center Limited	Isis Suzhou International Technology Centre Company Limited
Nature of business	Development, intellectual property protection and exploiting of research outputs from the University of Oxford and elsewhere in China	Development, intellectual property protection and exploiting of research outputs from the University of Oxford and elsewhere in China	Development, intellectual property protection and exploiting of research outputs from the University of Oxford and elsewhere in China	Development, intellectual property protection and exploiting of research outputs from the University of Oxford and elsewhere in China
Proportion of shares	40%	1%	25%	30%
Trading balances at 31st July 2020	£0	£0	£0	£0

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Notes to the Financial Statements (continued)

19 Transactions with Directors, Related Parties and Joint Ventures

The Company has taken advantage of the exemption in FRS 102 section 33 and has not disclosed transactions with other group companies.

Transactions with Directors

During the year three members of the board were reimbursed for the provision of consultancy services at rates charged on an arm's length basis.

Name	Position	Transaction	Details	Value (£)	Paid (£)	Outstanding at 31 July 2020
Professor L. Dolan	Board Director	Services	Fees charged at arm's length consultancy rates	37,125	37,125	-
Professor P. Grant	Board Director	Services	Fees charged at arm's length consultancy rates	10,293	10,293	-
Professor M. Wood	Board Director	Services	Fees charged at arm's length consultancy rates	54,000	54,000	-

Transactions with Joint Ventures

There were no transactions with Joint Ventures during the year (2019: nil).

Transactions with Related Parties.

During the year £nil was received from Syncona Investment Management Ltd for provision of consultancy services at rates charged on an arm's length basis (2019 – £360 inclusive of VAT).

There are no other related party transactions.

20 Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of the University of Oxford. The Company is a limited company and the University of Oxford is its sole shareholder, exercising a dominant influence over its operating and financial policies as a result. The Company is consolidated within the group financial statements of the University of Oxford, which is the only group including the Company for which consolidated financial statements are produced. Copies of the Financial Statements of the University of Oxford may be obtained from:

University Offices, Wellington Square, Oxford, OX1 2JD