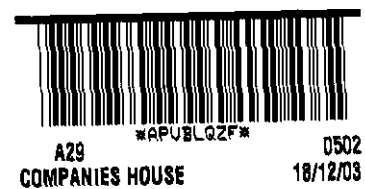


Isis Innovation Limited

Directors' report and financial statements

31 March 2003

Registered number 2199542



Directors' report and financial statements
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Directors' report

The directors submit their report and the audited financial statements of the company for the year ended 31 March 2003.

Principal activities

The principal activity of the company is the development, patenting and exploiting of ideas emanating from the University of Oxford.

The Oxford Innovation Society is a subscription based society.

Results and dividends

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

The directors do not recommend the payment of a dividend.

Future development

The directors are confident about the future development of the company.

Directors

The following directors held office during the year:

Professor J.I. Bell	
Professor M Brady	(appointed 27/2/03)
Professor B Cantor	(resigned 30/9/02)
J.R. Clements	
Dr T. Cook	
Professor R.A. Dwek	(appointed 27/2/03)
Dr P. Fellner	
T. Hockaday	
Professor C.J. Leaver	(resigned 9/12/02)
Dr W.G. Richards	
Professor Sir G. Roberts	
Dr P.M. Williams	(Chairman to 20/9/01)
B.J. Taylor	(Chairman from 20/9/01)

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

The company is wholly owned by the University of Oxford.

No directors hold any interest in the shares of the company.

Directors' report *(continued)*

Auditors

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

By order of the board



PJ Smith
Secretary

University Office
Wellington Square
Oxford
OX1 2JD

26 June 2003

Statement of directors' responsibilities

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

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

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



KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Isis Innovation Limited

We have audited the financial statements on pages 6 to 11.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 4, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2003 and of the loss for the year then ended.

KPMG LLP

1 July 2003

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 March 2003

	<i>Note</i>	2003 £	2002 £
Turnover	1	1,994,486	1,696,253
Cost of sales		(2,217,336)	(1,861,977)
		<hr/>	<hr/>
Gross loss		(222,850)	(165,724)
Administration expenses		(1,362,010)	(863,289)
Other operating income	5	1,141,923	1,023,942
		<hr/>	<hr/>
Operating profit/(loss)		(442,937)	(5,071)
Deed of covenant paid to the University of Oxford		(3,100)	(5,400)
Other interest receivable and similar income		6,337	8,062
		<hr/>	<hr/>
Loss on ordinary activities	2-4	(439,700)	(2,049)
		<hr/>	<hr/>
Accumulated losses brought forward		(267,872)	(265,463)
Loss for the financial year		(439,700)	(2,049)
		<hr/>	<hr/>
Accumulated losses carried forward		(707,572)	(267,872)
		<hr/>	<hr/>

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

The results above relate to continuing activities.

Balance sheet
at 31 March 2003

	<i>Note</i>	2003 £	2002 £
Current assets			
Debtors	5	604,822	617,289
Cash at bank and in hand		282,560	557,928
		<hr/> 887,382	<hr/> 1,715,217
Creditors: amounts falling due within one year	6	(1,194,954)	(1,043,089)
		<hr/> (307,572)	<hr/> 132,128
Net (liabilities)/assets		<hr/> (307,572)	<hr/> 132,128
Capital and reserves			
Called up share capital	7	400,000	400,000
Profit and loss account		(707,572)	(267,872)
		<hr/> (307,572)	<hr/> 132,128
Equity shareholders' funds	8	(307,572)	132,128

These financial statements were approved by the board of directors on 26 June 2003 and were signed on its behalf by:



B. J. Taylor
Chairman

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The going concern basis has been applied as the parent undertaking has confirmed that it will continue to support the company for the foreseeable future.

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

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

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group (see note 11).

Turnover

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

Project expenditure

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

Intangible assets

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

Tangible assets

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

Pensions

The administrative employees of the company are members of the University of Oxford Staff Pension Scheme, a defined benefit scheme, administered by the University of Oxford. Details of the scheme are included in the financial statement of the University of Oxford. Other employees of the company are members of the group personal pension plan administered by Equitable life Assurance PLC and Friends Provident. The company's contributions to these schemes, and the personal pension plans of certain employees, are charged to the profit and loss account as they fall due. At 31 March 2003 there were no contributions outstanding from the company.

2 Loss on ordinary activities

Loss on ordinary activities is stated after charging:

	2003 £	2001 £
Auditors remuneration:		
- Audit	4,990	6,128
- Other services	2,000	2,000
Lease Payments – land and buildings	2,500	2,500
Operating Lease Payment – other	660	660
	<u> </u>	<u> </u>

3 Employees

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

	2003 No.	2001 No.
Managers, executives and administration	28	21
	<u> </u>	<u> </u>
	£	£
The total cost of their remuneration was:		
Wages and salaries	847,017	548,629
Social security costs	80,361	51,444
Other pension costs	77,873	46,661
	<u> </u>	<u> </u>
Total employers' remuneration	1,005,251	646,734
	<u> </u>	<u> </u>

4 Directors' remuneration

	2003 £	2001 £
Directors' emoluments	132,351	127,053
Directors' pension contribution	13,110	12,393
	<u> </u>	<u> </u>
	145,461	139,446
	<u> </u>	<u> </u>

Non-executive directors receive no remuneration

Two directors had benefits accruing under a money purchase pension scheme.

Notes (continued)

5 Debtors

	2003 £	2002 £
Trade debtors	511,344	548,499
Other debtors	1,083	1,083
Prepayments and accrued income	92,395	67,707
	<hr/> 604,822 <hr/>	<hr/> 617,289 <hr/>

6 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade Creditors	246,492	192,350
Amounts owed to group undertakings		
Cash at University Chest - overdraft	110,312	82,042
Distributions due	500,882	488,595
Other creditors including taxation and social security	58,472	31,633
Accruals and deferred income	278,796	248,469
	<hr/> 1,194,954 <hr/>	<hr/> 1,043,089 <hr/>

7 Called-up share capital

	2003 £	2002 £
Authorised, allotted, called-up and fully paid: 400,000 shares of £1 each	<hr/> 400,000 <hr/>	<hr/> 400,000 <hr/>

Notes (continued)

8 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Shareholders' funds brought forward	132,128	134,537
(Loss) for the year	(439,700)	(2,409)
	<hr/>	<hr/>
Shareholders' funds carried forward	(307,572)	132,128
	<hr/>	<hr/>

All funds are attributable to equity shareholders.

9 Financial Commitments

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

	2003 Land and buildings £	Other £	2002 Land and buildings £	Other £
Expiring within one year			-	-
Expiring between two and five years inclusive	2,500	660	2,500	660
	<hr/>	<hr/>	<hr/>	<hr/>
	2,500	660	2,500	660
	<hr/>	<hr/>	<hr/>	<hr/>

10 Investments

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

11 Ultimate holding company

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