OSI

INVESTING IN THE FUTURE

Oxford Sciences Innovation Plc
Annual Report and Accounts 2019

At Oxford Sciences we are tackling the world's leading challenges by empowering scientists and entrepreneurs to develop Oxford's most impactful ideas.

See more investments in great ideas at www.oxfordsciencesinnovation.com

FINANCIAL

Investments completed:

78

Cash invested:

£185.6m

Capital raised:

£613m

HIGHLIGHTS

We are sustained by an inspiring mission to develop a world-class ecosystem around the University with the opportunity to catalyse outstanding human impacts at a global scale.

Christopher Chambers / Chairman

OPERATIONAL

STRATEGIC

- Significant Series A investment rounds completed for Osler and Oxford VR.
- Portfolio of companies raised a total of £98m (2018: £173m) of capital during the year, strengthening the ecosystem.

FINANCIAL AND OPERATIONAL

- Net Assets of £717.6m (2018: £707.3m).
- Profit for the year of £7.1m (2018: £34.3m).
- Gross cash and deposits of £389m (2018: £454.7m).

PORTFOLIO

- Overall net increase in value of portfolio, excluding new investment, of £11.8m (2018: £41.9m).
- Fair value of portfolio of £290.6m (2018: £228.9m).
- Capital invested in portfolio of £46.7m (2018: £54.7m) during the year.

Producing cutting-edge research is challenging. So is bringing it to the world. We bring the financial and human capital that enables Oxford's world-class science to go to market and thrive.

ABOUT US

Why Oxford?

Oxford has been ranked the best research university in the world by the Times Higher Education World University Rankings for 2016, 2017, 2018 and 2019. Record funding, high-calibre staff and students as well as a global reputation for world-class research are all contributing factors for the accolade.

MATHEMATICS, PHYSICAL AND LIFE SCIENCES DIVISION
Ranked first in the UK in the Research Excellence Framework, employing 1,730 academics and researchers with a further 2,000 DPhil and MSc graduate students.

MEDICAL SCIENCES DIVISION
For the eighth year running the Division was rated first in the world for Clinical, Pre-Clinical and Health subjects by the Times Higher Education Supplement. The Division has more than 5,000 academics, researchers, NHS clinicians and GPs, and administrative staff, 1,500 graduate and 1,600 undergraduate students that contribute to extensive and exemplary research, teaching and clinical portfolios.

Our key strengths

WORLD-CLASS INVESTORS
We have built up an investor base that has been chosen to help drive the development of our portfolio through the provision of operational and strategic insights. The investors are leading companies and individuals who cover many business sectors and are based in geographies across the world.

WORLD-BEATING SCIENCE
The University of Oxford is renowned for performing world-leading scientific research, enabling us to focus on commercialising ideas that are at the forefront of innovation and designed for impact.

FINANCIAL RESOURCES
The Company has extensive patient capital, allowing the Company to support spin-outs from start-up through to maturity whilst retaining a significant equity stake should it so choose. Our structure of a limited company with Ordinary Shares lends permanence to our deliberately large capital base.

Investment portfolio

SCIENCE

CAPITAL

PEOPLE

We search Oxford's Maths, Physical, Life Sciences, Medical Sciences, Computer Sciences and Engineering Divisions for ideas the world might not yet understand and for the seeds of entirely new possibilities. No idea is too early – our team will help write business plans, create pitches, recruit the Board and set up the Company.

We've raised over £600m to build the ecosystem that brings Oxford's ideas to the world. We partner early and for the long term, because we understand that it takes time to turn disruptive science into an enduring business. With investments that span transition, seed and follow-on funding, and range from £100k to £10m, we ensure each spin-out gets what it needs.

Our investors are active participants in assessing the commercial potential of a scientific patent. They frequently visit the portfolio companies and offer advice on strategy, placing management and introducing commercial opportunities.

See our strategy in action on page 16

INVESTMENTS	LIFE SCIENCES	SOFTWARE/AI	DEEP TECH	HEALTH TECH
Total value of investments to date:	Number of investments:	Number of investments:	Number of investments:	Number of investments:

UNIVERSITY DATA FOR 2019 ACADEMIC YEAR

Research budget in sciences	Number of spin-outs	Number of granted patents	Number of disclosures

For Oxford

ACADEMICS
Faster access to the right kind of capital throughout the development process.

OXFORD UNIVERSITY
Commercial support to create a robust and thriving ecosystem.

ENTREPRENEURS
Financial support so CEOs can remain business and product focused.

INVESTORS
Access to a cutting edge portfolio of science and technology IP.

STUDENTS
Commercial opportunities as early in their careers as required.

OUR PORTFOLIO AT A GLANCE

Our investments come from a wide range of the science faculties at the University of Oxford.

VALUE OF INVESTMENTS BY SECTOR

Life Sciences
£125.7m
+9%

Digital Tech
£69m
+52%

Software/AI
£37.8m
+16%

Health Tech
£58.1m
+63%

SEE STRATEGY IN ACTION – P 16

LIFE SCIENCES

Argonaut Therapeutics
Asymmetric Suzuki Reactions
Cortex Organics
DJS Antibodies
Enzbond
Evox Therapeutics
Genomics
Gyreox
Human Centric Drug Design
IntraBio Inc.
Iota Sciences
iOx Therapeutics
Macrophox
MiroBio
Ni2o Inc.
Nucleome Therapeautics
OMass Therapeutics
Orbit Discovery
Oxford Enhanced Medical
Oxford Molecular Biosensors
Oxford Nanoimaging
Oxstem
Pepgen
Scenic Biotech
SpyBiotech
Theolytics
Vaccitech
Xerion Healthcare

DEEP TECH

Animal Dynamics
Bodle Technologies
Brill Power
First Light Fusion
Helio Display Materials
Metaboards
Mixergy
MoA
ODQA
Orca Computing
Opsydia
Oxford Flow
Oxford HighQ
Oxford Ionics
Oxford Quantum Circuits
Oxford Sustainable Fuels
OxMet Technologies
Oxsight
Proxisense
Quantum Motion
Refeyn
Yasa Motors

SOFTWARE/AI

1715
6 Degrees
Bibliotech
Cocotec
Connido
Covatic
DeepReason.AI
Diffblue
Edtopia
Hexr
Machine Discovery
Mind Foundry
Navenio
Oxford Semantic Technologies
PQ Shield
Util
Zegami

HEALTH TECH

Biobeats
BreatheOx
Caristo
Circadian Therapeutics
Cristal Health
Osler
Oxford Brain Diagnostic
Oxford Endovascular
Oxford VR
Promapps
Ultromics

BUSINESS MODEL

We create long-term value and impact by developing Oxford's world-beating science into world-class companies.

BY DRAWING ON OUR RESOURCES AND RELATIONSHIPS

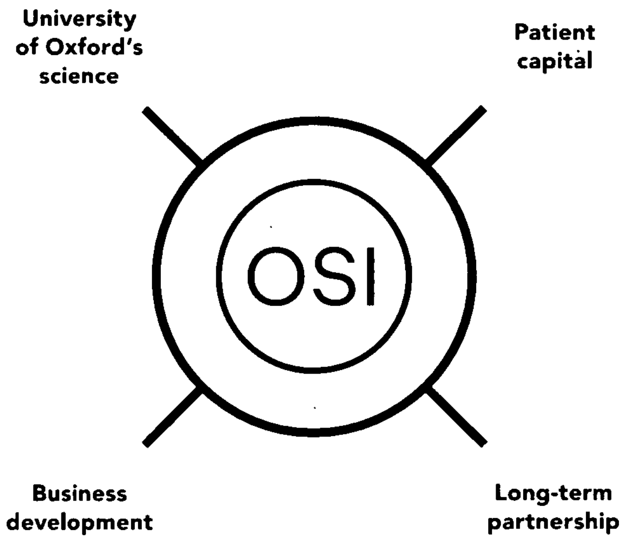
WORLD-LEADING SCIENCE
At the heart of OSI's strategy lies our focus on the world-leading science from the University of Oxford. Our primary aim is on bringing breakthrough science and technology to the world.

SHAREHOLDERS
OSI is guided by some of the world's leading individuals and organisations, all with deep commercial experience. Our shareholders are diverse in background and brought together by a commitment to building innovative science and technology companies.

GLOBAL NETWORK
We are continuously building our global network of leading industrialists, academics, entrepreneurs, corporate partners and advisers. With access to the right individuals and expertise at the right time, we can effectively connect Oxford to the world.

ECOSYSTEM
We are committed to contributing to a thriving scientific and entrepreneurial ecosystem. By regularly hosting international investors and corporates, or through partnerships, we hope to attract more talent, capital, partnerships and global recognition to Oxford and the UK at large.

WITH OUR OPERATING MODEL



University of Oxford Science
OSI is exclusively focused on research and intellectual property emerging from the University of Oxford's science departments and Harwell and Culham Science Parks. An annual research budget of around £700m, global recognition for academic excellence and academics that continue to win international awards for research all create a rich environment to find, support and develop successful spin-outs.

Long-term partnership
Radical innovation and breakthrough science take time to reach their full potential. To build the next generation of businesses, OSI is committed to partnering for the long term in order to drive meaningful impact and value. Our structure, capital base and team's commitment all reflect a bias towards the long term.

Patient capital
Our deliberate structure as a Company versus a fund enables a permanent capital base. In this way, we can provide access to funding throughout a spin-out's development, enabling entrepreneurs and academics to focus on building enduring businesses instead of fundraising.

Business development
Beyond building a discovery pipeline, the OSI team sit on many of the Boards of our spin-outs and are committed to their development and growth. With access to our global network of industrialists, entrepreneurs and advisers, we can dedicate the human capital needed to help spin-outs thrive.

TO PROVIDE VALUE

INVESTMENT PORTFOLIO
Since OSI began operations in June 2015, we've invested a total of £186m cash in 80 investments.

BOARD AND EMPLOYEES
To support OSI's business model, we have 25 full-time employees, who are guided by an experienced Board which dedicates considerable time to developing the business.

INVESTORS
OSI has a truly global investor base with some of the largest corporations and investors to draw on.

CHAIRMAN'S REPORT

Coming up to the five-year anniversary of OSI's formation and at the start of a new decade, it is an important chance to reflect on the significant progress made to date as well as the challenges and opportunities for the future.

We have spent the first years since our inception developing the Oxford ecosystem while building and demonstrating an early-stage investment capability, entirely appropriate given the maturity of our investments.

With 78 companies now in our portfolio and a strong pipeline of potential new IP, it is clear Oxford remains a hugely fertile and comparatively untapped source of exciting investment opportunities and our capability in developing these is increasingly demonstrated.

We see tangible commercial/developmental successes in many of our investee companies. At the risk of creating hostages to fortune, in early 2020, we draw your attention in particular to: the range of commercial partnerships Evox is developing; to Mixergy selling its hot water tanks to British Gas; to ONI's growing sales of desktop super-resolution microscopes; to Alloyed's recent acquisition of Betatype; and to the sale of Latent Logic to Waymo.

We can look with pride at how we have helped to develop the management teams and boards of our companies, and how we have helped founders to balance their focus between delivery of critical near-term milestones and the need to have a clear long-term ambition and strategy.

Furthermore, the expanding pool of value-adding validating capital that we have introduced to our companies is a sure indication we are on the right path towards the next stage of OSI's evolution.

In terms of quantitative metrics, it is difficult to judge what success looks like given the long lead times implicit in the investments made. Judging from a combination of our low failure rate, our valuation uplift to date and the level of validating capital we see from investors with proven records of superior returns, we can be confident we are on the right track.

While we continue to nurture the early-stage ideas and IP emerging from the University, as several of our investee companies mature we now find ourselves broadening and pivoting our focus towards our later-stage investment capability, with several meaningful follow-on rounds due in 2020.

This will involve a further broadening of our partnerships with expert external leading investors as well as ensuring appropriate independent expert scrutiny of our own investment decision-making. These, alongside our unique local knowledge of the Oxford ecosystem, will allow us to choose the best follow-on options available and to invest on good terms alongside world-class investors.

In this context, I am pleased to see the progress made during 2019 in terms of further professionalising and upskilling the OSI team for the growth to come. As planned David Norwood retired from his position as Chief Executive at the beginning of the year, to be replaced by Charles Conn. At the same time Patrick Pichette joined the Board in March and became Chairman in June 2019 with Peter Davies moving to a non-executive role. Patrick stepped down in February 2020 due to other time commitments and I replaced Patrick as Chairman.

Towards the end of the year, Charles Conn left the company to return to the US where he has maintained significant environmental commitments. Through the subsequent period the core team has been stable, with Jim Wilkinson becoming Interim CEO.

I am confident we will shortly fill the CEO position and further intend to make additional senior management appointments in order to build global investor partnerships, support the investment principals, provide and facilitate additional investment scrutiny for OSI capital and free up the CEO for corporate strategy, operations and stakeholder management.

With capital investments likely to increase with the follow-on rounds envisaged and with several meaningful raises due in the coming year, the Board will also be focusing on finding the right governance structure to ensure appropriate expert investment oversight while ensuring fiduciary comfort for our stakeholders. We are fortunate that there is a broad set of high-level external expertise keen to assist OSI in its progress; our challenge is finding the right organisational structure to allow them to do this.

FIGURE 1: GROSS FUNDING ROUNDS COMPLETED IN 2019

Q1	Osler	£30m
	Mind Foundry	£4.5m
Q2	MiroBio	£7.2m
	MoA Technologies	£6m
	Nucleome	£5.2m
Q3	Omass Therapeutics	£9m
	Yasa Motors	£18m
Q4	Oxford VR	£10m
	Mixergy	£3.6m

So, while we have shown continued solid progress in 2019, further demonstrating our ability to provide early-stage investment in a differentiated manner, we are now at the start of the next stage of our journey as we extend our success into later-stage investing. In so doing we will continue to develop our competence sequentially, to leverage external skill sets where appropriate and to maintain an active dialogue with all our stakeholders.

In this context, we can consider the remainder of 2020 and 2021 with confidence. The opportunity remains unbelievably large; the biggest companies in the world struggle to match the IP that OSI has the opportunity to be part of developing. We are sustained by an inspiring mission to develop a world-class ecosystem around the University with the opportunity to catalyse outstanding human impacts at a global scale. It is also self-evident and reassuring that a focus on the long-term financial returns on our investments is the best way to achieve these inspirational social objectives.

During 2020 we have seen and felt the impact of the Covid-19 pandemic. This topic is covered more fully in the Chief Executive's statement, however it is notable that some of the world-leading technologies being used to fight Covid-19 and its health consequences have been developed as a result of the capital OSI has been able to invest in Oxford over the last five years.

I would like to record my thanks to Charles Conn, Patrick Pichette and in particular to Dave Norwood who did a fantastic job in getting the company going and led OSI through its formative years. His hard work and inspiration have laid strong foundations.

Christopher Chambers
Chairman

> **With the level of validation capital we see from investors with proven records of superior returns, we can be confident we are on the right track.**
>
> **Christopher Chambers / Chairman**

PORTFOLIO REVIEW

Our 78 investments collectively represent deep innovation across the sciences.

As at 31 December 2019 the value of the Company's portfolio had increased by £61.7m from £228.9m in 2018 to £290.6m in 2019. This reflects a net cash investment of £185.6m, £25m of founding shares received in new spin-outs, disposal of investments of £1.4m and an £81m net increase in fair value. The portfolio consists of 78 investments at the end of 2019 compared to 69 at the end of the prior year.

The Company receives founding shares in spin-out companies from the University of Oxford whether it makes a cash investment or not. During 2019 the Company led the investment in two new spin-outs MiroBio Limited and Nucleome Therapeutics Limited, and seven existing spin-outs. This has brought the number of investments where OSI is the lead to 32 in total. OSI considers itself the lead investor where it has made the largest cash investment in a company. The Company is identifying those companies most as likely to be successful and is concentrating its resources on those companies.

The cash investment total of £47.6m was split £7.6m into initial seed investment in two companies and a further £40m into follow-on funding rounds.

The main fair value increase was £7.9m, of a total of £11.8m, in Ultromics Limited. A fair value decrease of £8.5m was made against several investments.

The value of the portfolio, calculated by reference to the Company's holding in such companies and grossed up to reflect their total value is £1bn (2018: £825m).

OSI manages its portfolio by industry sector, and the portfolio companies can be split into four broad areas of Life Sciences, Software/AI, Deep Tech and Health Tech. There are 29 science faculties in Oxford and the spin-outs come from a broad cross-section of these, including Computer Sciences, Engineering, Chemistry, Medical Sciences, Zoology, Maths and Physics.

An analysis of our major investments by sector

Life Sciences

Name	Date	Description	Fair value as at 31 December 2019 £'000
Evox Therapeutics	07/04/16	Harnessing and engineering the natural delivery capabilities of exosomes to develop an entirely novel class of biotherapeutics	32,921
Oxford Nanoimaging	05/05/16	Creators of the Nanoimager, the world's first desktop-sized super-resolution microscope	24,405
Vaccitech	04/03/16	Harnessing T cell immunotherapy to treat and prevent infectious disease and cancer	20,707
Omass Therapeutics	24/03/16	Harnessing high-resolution native mass spectrometry to drive drug discovery for immunology and genetic disease	6,150
Nucleome Therapeutics	02/08/19	Technology that can determine the 3D structure of DNA, decoding the function of the 'dark' genome – the 98% which lies outside of protein coding regions	6,020
SpyBiotech	10/03/17	Utilising unique protein 'superglue technology to develop vaccines against infectious disease and cancer	5,000
Pepgen	23/03/18	Unlocking the potential of oligo-based and gene therapies by leveraging the drug delivery capabilities of innovative peptide technology	4,924
Other investments (21 investments)			25,597
			125,724

Software/AI

Name	Date	Description	Fair value as at 31 December 2019 £'000
Diffblue	04/03/16	Changing the way that software is developed, starting with automatic unit-test generation	15,104
Navenio	04/12/15	Realtime platform for workforce efficiency and tasking in healthcare using proprietary smartphone indoor localisation	5,535
Bibliu	10/02/17	Digital textbook delivery and collaboration platform for students, faculty and publishers	4,151
Mind Foundry	10/02/16	Separating the signal from the noise. No-code, fast-build Machine Learning platform for data-rich analysis	3,280
Other investments (13 investments)			9,725
			37,795

Deep Tech

Name	Date	Description	Fair value as at 31 December 2019 £'000
Yasa Motors	14/08/19	Delivering smaller, lighter electric motors and controllers	11,648
OxMet Technologies	24/07/17	Innovative alloy design for aerospace, automotive, industrial and biomedical applications	9,794
Oxford Flow	25/09/15	Small and light pressure control valves for water, oil and gas, reducing leaks and emissions and delivering smarter, more precise control	9,208
Metaboards	21/12/16	Wireless power and data transfer using metamaterials	7,038
Animal Dynamics	01/12/17	Autonomous, super-efficient drones inspired by evolutionary biomechanics and designed with AI	6,214
MoA	25/10/17	Discovering the next generation of sustainable herbicide chemistries	3,475
Bodle Technologies	04/11/15	Opening up the possibilities of reflective displays, using phase change materials for low-power screens that can be read as easily as paper in sunlight	3,201
Other investments (15 investments)			18,471
			69,049

Health Tech

Name	Date	Description	Fair value as at 31 December 2019 £'000
Osler Diagnostics	21/06/16	The universal point-of-care diagnostic platform with lab-grade sensitivity	29,945
Ultromics	19/05/17	AI interpretation of ultrasound imaging to treat cardiovascular disease	14,046
Oxford VR	27/01/17	Virtual reality for therapeutic treatment of psychological disorders	8,144
Other investments (8 investments)			5,937
			58,072

STAKEHOLDER ENGAGEMENT

Statement by the Directors in performance of their statutory duties in accordance with Section 172(1) of the Companies Act 2006 (the 'Act').

The Board of Directors of Oxford Sciences Innovation PLC consider, both individually and collectively, that in the decisions taken during the year ended 31 December 2019, they have acted in a way that they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole having regard to the stakeholders and matters set out in Section 172(a-f) of the Act, being:

(a) the likely consequences of any decision in the long term,
(b) the interests of the Company's employees,
(c) the need to foster the Company's business relationships with suppliers, customers and others,
(d) the impact of the Company's operations on the community and the environment,
(e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
(f) the need to act fairly as between members of the Company.

Framework

The directors' regard for these matters is embedded in their decision-making processes, through the Company's business strategy, governance framework, management information flows/ reporting and stakeholder engagement processes.

The Company's business strategy is focused on achieving success for the Company in the long term. In setting this strategy, the Board takes into account the impact of relevant factors and stakeholder interests on the Company's performance.

The Board recognises that building strong and lasting relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate a sustainable business.

As part of their induction, the directors are briefed on their duties under the Act and can access professional advice on these – either through the Company Secretary or, if they judge it necessary, from an independent provider.

Stakeholder engagement

ENGAGEMENT

Engaging with stakeholder is a key part of OSI's business. Below are some examples of the stakeholders that the Company considers when accessing the potential impact of its decisions.

KEY STAKEHOLDERS

- Shareholders
- Employees
- University of Oxford and associated research bodies
- Portfolio companies, management and founders
- Co-investors
- Oxford ecosystem and community
- Scientific and industry experts
- Industry bodies
- Wider society

STRATEGIC FRAMEWORK

OSI plc was established to create long-term value out of the University of Oxford's intellectual property.

In order to do this, the Company entered into a 15-year Framework Agreement with the University which is extendable by a further two 15-year periods. The Company can only invest in spin-out companies from the University, companies based on the Harwell and Culham Science Parks near Oxford, and companies that could benefit the portfolio.

It was identified that four factors were needed to make the Company a success. These are:

	01 Science	02 Financial resources
Objectives	Each spin-out is dependent on being able to commercially develop leading-edge science from the University of Oxford.	Ensuring that spin-outs are adequately financed in the initial phases and then supported through later fundraisings in a timely manner with OSI maintaining the financial benefit of owning a significant percentage of the equity in each portfolio investment.
Progress During The Year	The Company has a long-term agreement with the University of Oxford which gives it preferred partner status to any spin-outs from the science departments of the University. The science is world-leading, as exemplified by the University being awarded the No.1 University Science Research facility in the world by the Times Higher Education Supplement four years in a row.	Additional funds of £3.6m from one new shareholder received in the form of Ordinary Shares to bring the total cash raised to £613m. The Company has funds of £389m available for investment held as cash and deposits.
KPIs	**The value of investments:** £290.6m	**The amount of capital the Company has raised:** £613m **The amount of third-party capital raised by spin-out companies to date:** £265m

> The expanding pool of value-adding capital that we have introduced to our companies is a sure indication we are on the right path towards the next stage of OSI's evolution.

03

Shareholder network

Helping to identify potential successful spin-outs in initial due diligence and then aiding the development of the investments through providing strategic advice, market access, sales contracts, management, or contacts.

In addition to the regular cycle of shareholder updates there has been continued development of a secondary market in OSI shares where more than 10% of the company's equity has been traded over the last year.

The number of shareholders:

62

04

Management teams

Each spin-out needs its own management team to drive it forward and be able to develop it from a start-up into a world-changing company.

The Company has targeted the recruitment of management teams as a priority in order to maximise the chances of the spin-out companies being successful. A number of methodologies were used to recruit appropriate personnel, with suitable candidates being identified through our shareholders, the wider network or recruitment specialists. The number and quality of CEOs was also improved.

The number of investments with a permanent CEO:

65

01

EiR programme

The Entrepreneur in Residence ('EiR') programme provides the opportunity for experienced executives to lead Oxford's most innovative companies in partnership with University academics. EiRs are employed by OSI for an undefined period of time, drawing on its network and resources to explore Oxford's academic research and eventually build and lead a spin-out that OSI funds.

THE CONTEXT

OSI's model is to build companies around category-defining science, supporting academics with its network, capital and talent. The EiR programme builds on this proposition, complementing academic research with a commercial lead that will set the spin-out up for success.

Radical innovation and breakthrough science requires commercial skills to reach its full potential. EiRs have a track record of operational excellence, entrepreneurial attitude and an interest in a theme relevant to the OSI portfolio. They may come from a strategy consulting, hands-on investing or startup background and are likely to have a Master's degree or PhD in a scientific subject.

THE PROCESS

EiRs are hired by OSI to work in the company for an undefined period of time, usually between six and eighteen months. In that period, they assist and advise portfolio companies whilst exploring their field of academic research for a potential spin-out. They work closely with one OSI Principal, broadly within their sector area.

EiRs lead the spin-out process, often establishing the founding team and laying the foundations of the commercial strategy. Once they spin-out, the EiR often becomes the CEO, however they may take a VP role, particularly in a Life Sciences company.

THE IMPACT

OSI has worked with seven EiRs to date. Three EiRs have successfully spun out of the University (CEO, Osler; CEO, Theolytics; VP of Operations, MiroBio). Four EiRs are in the process of sourcing ideas and spinning out their companies, including a company based on a new way to sequence DNA methylation and a hyperspectral imaging company intended for smartphone use.

EiR CASE STUDY: TIM FUNNELL, MIROBIO

Tim, VP Operations at MiroBio, was an Entrepreneur in Residence at OSI in 2018 with the Life Sciences Team.

Tim originally trained as a pharmacologist, holding a PhD in Pharmacology from the University of Oxford and an MA in Natural Sciences from the University of Cambridge. Before joining OSI, he was a biotechnology investor at Syncona and Third Rock Ventures. Tim was a core member of the founding teams of Autolus (UCL, £30m Series A), Gyroscope (Cambridge, £16m Series A) and Casma (Cambridge, Mass, $58m Series A). Prior to this, he was a Consultant in the Biopharma and Healthcare Practice teams at Boston Consulting Group.

Whilst being an EiR at OSI, Tim was heavily involved in the spin-out of MacrophOx with Professor Len Seymour, a biotechnology spin-out that is developing a new generation of cell therapies that can actively target a range of advanced and solid tumours for the treatment of cancer.

Tim led the spin-out of MiroBio in April 2019. MiroBio is a novel therapeutics company that harnesses the natural control mechanisms of the immune system, initially focusing on auto-immune diseases but with potential across other applications.

The MiroBio technology is based on the work of its founding scientists, Simon Davis, Professor of Molecular Immunology, MRC Weatherall Institute of Molecular Medicine, and Richard Cornall, Nuffield Professor of Clinical Medicine at the University of Oxford. Their understanding of how immune receptor signalling takes place at the cell surface generated a platform of IP and technologies which Tim worked alongside the academics to spin out into MiroBio.

Tim is now the VP of Operations at MiroBio, where he leads business operations. In October 2019, MiroBio raised $34m in Series A funding, which was co-led by OSI and Samsara Biocapital with Advent Life Sciences and SR One joining the round.

Strategy in action
Financial Resources

02

Property Portfolio
It transpires that property is one of the key issues for fast-growing university spin-outs.

Early-stage companies tend to gravitate towards the city centre and proximity to public transport, local amenities and, crucially, university departments and professors. As they grow in size, companies then move out to the ring road and beyond.

Oxford, with its CBD of colleges and university buildings, has an extremely limited supply of commercial property.

Portfolio companies struggle to source property independently due to long lead-in periods, the technical nature of the fitout and the long lease commitments required by landlords.

In response to this issue, OSI has been using its commercial expertise to deliver space for portfolio companies and provide the following benefits:

- Reduced time, cost and resource of managing complex project
- Economies of scale on project costs
- Improved shared facilities that benefit groups of companies
- Improvements on commercial leasing terms in return for longer commitments

Over the last two years, OSI has acquired around 60,000 sq ft of commercial space for the exclusive use of portfolio companies, including 18,000 sq ft at Schrodinger House, 30,000 sq ft at Sherard House and 12,000 sq ft at the HB Allen Centre. These buildings have been tremendously popular with the portfolio companies that occupy them. The demand for more commercial space shows no signs of slowing down and OSI is actively searching for the next additions to its growing property portfolio.

At the same time, OSI has been working with a range of international developers and specialists in the R&D field to encourage a rapid response to the clear lack of supply.

01

Oxford VR
Award-winning transformative immersive therapy – improving access to evidence-based psychological therapies at scale.

Oxford VR ('OVR') is a spin-out from the University of Oxford, and leverages nearly two decades of pioneering academic research by Daniel Freeman, Professor of Psychiatry at Oxford.

It is built on the work of Daniel Freeman, Professor of Clinical Psychology at Oxford's department of psychiatry, who has spent nearly two decades investigating VR's potential as a powerful psychological treatment that's transforming outcomes and the way people can access and experience therapy.

In a landmark clinical trial, published in The Lancet Psychiatry, OVR's first clinical trial (acrophobia) saw recovery levels at double the expected rate for traditional therapy. These outcomes have since been replicated in routine real-time clinical use in the UK NHS (National Health Service).

With the OVR programmes, patients are gradually and systematically exposed to simulations of everyday situations that trigger symptoms. OVR's immersive treatment scenarios and activities are so compelling and lifelike that patients experience the same emotional and physical response that they would in similar real-life situations. In a field of therapy where patient drop-out is high, and access to qualified therapists is poor, this treatment modality offers a high-quality, automated treatment that delivers protocolised cognitive behavioural therapy that is scaleable.

Mental disorders are on the rise in every country in the world and will cost the global economy an estimated $16 trillion by 2030. From access challenges to poor outcomes, the high cost of care, low engagement rates and a shortage of skilled clinicians, there is a huge amount of unmet needs and challenges in mental health.

OVR is fast expanding its global footprint. In the UK, OVR is the technology partner for the first large-scale multi-site trial 'gameChangeVR' to test VR therapy treatment for psychosis in secondary care treatment. In Asia, OVR has partnered with AXA Hong Kong and The Chinese University of Hong Kong ('CUHK') where a first-of-its-kind pilot is testing VR technology to support better mental health outcomes in the region. In the US, OVR has established a strategic partnership with the National Mental Health Innovation Centre ('NHMIC' Colorado) where it is running multiple pilots using VR therapy treatment programmes to advance mental health outcomes in the US.

In December 2019, OVR secured a record Series A investment of £10m. The round was led by Optum Ventures and supported by Luminous Ventures. Existing backers, including Oxford Sciences Innovation, Oxford University Innovation, and GT Healthcare also participated.

> **“From access challenges, poor outcomes, the high cost of care, low patient engagement rates and a shortage of skilled clinicians, there are huge unmet needs in mental healthcare. This investment recognises the significant potential of Oxford VR's automated VR therapy to address many of these challenges and how the company is already delivering automated VR therapy in a real-world setting in the UK's NHS.**
>
> **Barnaby Perks / CEO**

Strategy in action – Featured investments during 2019
Financial Resources

02

Alloyed (formerly OxMet Technologies) specialises in alloy design and process optimisation, and the Additive Manufacture (3D printing) of components for industrial, medical, and electronics markets.

OxMet was established in 2017 to commercialise intellectual property from Professor Roger Reed's computational metallurgical research group at Oxford University. Its first technologies were new nickel and titanium alloys for the aerospace and automobile markets, including an alloy licensed to Hitachi Metals for use in turbochargers. The company has since created steel, aluminium, copper, and tantalum alloys, both in-house and for customers. From 2018, OxMet also collaborated with Betatype, a London-based group specialising in the additive processing and design of fine-featured alloy components, to develop improved technology for orthopaedic implants. In January 2020, an £11m round of financing led by JX Nippon Mining and Metals and OSI, enabled the acquisition of Betatype, to form Alloyed. Current customers and partners include Hitachi Metals, Mitsubishi Heavy Industries, Eramet, Boeing, Grainger & Worrall, Facebook and OrthoSolutions.

AM for metal will enable quicker, more resource-efficient, more local, and more resilient production of more sophisticated parts. AM is different from other manufacturing processes that have traditionally favoured larger organisations: all of the information that describes both the design and the processing of an advanced component is digital, encoded on a build file, and run on generic, distributed equipment. The fabless model that has created so much wealth in the semiconductor sector will be viable with AM components. Simultaneously, continuous miniaturisation in the consumer electronics sector, which requires lower feature-sizes and higher temperatures, is also driving the use of 3D-printed metal rather than plastics or composites.

Alloyed is at the heart of this new era of digital metallurgy.

CHIEF EXECUTIVE'S STATEMENT

The Oxford innovation ecosystem has had another impressive year, with the University's leading position as a world-class research centre recognised again.

Within this, the unique position held by OSI continues to deliver significant investment opportunities with £19.2m new equity investments across three companies in the last 12 months. Meanwhile, our existing investments are making strong progress with 22 completing additional financing rounds, OSI investing £26.3m. Overall, we have seen an increase in fair value of £12.9m.

We have focused our 2019 efforts on those companies with the highest potential and so while our overall investment level is slightly down on 2018 (£47.6m vs £54.7m), 90% of this investment has been made on the lead 32 companies, compared to 66% in 2018. We view lead companies as ones where we have substantial holdings with the greatest potential market capitalisation and where we focus our resources. We expect this trend to continue into 2020, together with a significant overall increase in investments as our companies hit key milestones and mature towards later and larger funding rounds.

In terms of exits, the majority of our companies are expected to stay in our portfolio for up to ten years as they develop so we have not reached that phase in the companies' evolution. That said, we were pleased to see the sale of Latent Logic (imitation learning for autonomous vehicle testing) to Waymo in December 2019.

While our attention is aimed at the investments with the highest potential, nonetheless we have also sought efficient management of our smaller opportunities. One company, Oxtex, was placed into administration following the failure of its product to reach CE standards; there were four spin-outs where we received founding shares but have chosen not to commit further capital and five that have not yet reached seed funding stage. There have also been a number of companies where we have declined and do not intend to enter follow-on investment rounds.

In this context, the fundamentals to our business model remain clear. The symbiotic mix of great science, patient capital and exceptional management teams combining across the Oxford environment remains the key driver of successful companies emerging from Oxford. This unique ecosystem has continued to develop over the course of 2019 and all three pillars have strengthened during the period.

1. Science:

Oxford has maintained its No.1 position in the global Times Higher Education overall rankings for a fourth year running. The numbers of people actively involved in research continues to grow and is now over 13,000. More broadly, it was also encouraging to see Oxford further reinforcing its No.1 position in the PwC 'Good Growth for Cities' index, indicating a favourable environment for economic success.

Following the general election and with Brexit on the horizon, the new government has made clear it sees Innovation as being a critical driver of success and differentiation for the UK. While precise levels and mechanisms for University funding remain unclear there is an explicit intention to drive significant increases in scientific R&D spending specifically. In addition, we already see signs that all will be done to encourage and facilitate suitable overseas experts to live and work in the UK – a critical need for both the University and our portfolio companies.

Overall, the number of spin-outs has fallen compared to the first three operating years due to several factors. It is clear there was a backlog of opportunities when OSI began operations. In addition, while the principals have focused on maturing the companies with the highest potential in the current portfolio, this inevitably reduces the bandwidth available to pull through potential companies from the University. Additional resource in OSI is now being recruited to remove this blockage, which has resulted in 29 additional financing rounds to date in 2020.

In terms of bridging the sometimes challenging gap from lab idea to funded spin-out – particularly in Life Sciences – we are pleased to have renewed our commitment to the Lab282 initiative where we have seen encouraging successes to date with 32 different projects awarded and advanced since 2016 and six of these earmarked for transfer into Dark Blue Therapeutics in 2020, the entity set up to take these on to commercialisation. Our partnerships with industry expertise in this initiative means that the higher bar of industrial production standards is brought in at an early stage – ensuring a smoother, accelerated transition to commercialisation. This approach has now been replicated in digital health where we have joined forces with Sensyne and Evotec in a £4.5m collaboration to create Lab10x.

2. Capital:
With over £600m raised and £390m still at our disposal, as at 31 December 2020, we remain the largest single university-dedicated capital fund in the world. Alongside this, we have continued to attract additional validating capital into Oxford; indeed during 2019 we have seen a broadening of the investor base with involvement of Foresight, Syncona, RT Capital, Samsung Ventures, Optum Ventures and Inkef to name a few co-investors.

In addition, with the increasingly competitive VC environment, it seems Oxford is further emerging as a fertile source of new investments for the US in particular. The investor base is internationalising more broadly with capital from China, Japan and Germany among others. We have also sought to map out and build connections with an ever-broadening potential investor base to ensure appropriate contacts are in place as subsequent investment opportunities mature.

We have seen some turnover in the OSI shareholder base, facilitated by the setup of an active secondary trading function with a London city broker. This allowed us to manage the exit of some financially challenged investors with shares principally going to existing shareholders.

3. People:
The availability of world-class science backed by patient capital continues to encourage an ever-increasing depth in the Oxford-based talent pool and this, as investors, remains one of our most important areas of focus. We have continued to develop and strengthen management teams attracting exceptional talent with proven track records into a number of our companies.

As well as recruitment we have also focused efforts on the ongoing development of our management teams with the launch of our Frontier Series, bringing in subject matter experts and trainers on a regular basis to run a series of events on sector, function, or geography to increase the knowledge and level of commercial expertise within the Oxford ecosystem.

In this positive context the organisation within OSI continues to evolve.

During 2019 a three-year plan was developed to professionalise and future-proof the in-house functions to make the organisation fit for the next five years. This has involved strengthening the management team at all levels and ensuring all functions are appropriately set up to take us through the very exciting years ahead.

As the portfolio has increased we have split the team into sectors, allowing appropriate focus and specialisation in the areas of Life Sciences, Software/AI, Deep Tech and Health Tech which should allow us to recruit more specialist personnel. In addition, we have refocused the teams on the most advanced investments with the biggest potential.

We have also taken on additional resources at associate and entrepreneur in residence ('EIR') levels to support the investment principals to ensure we do not lose the breadth of coverage, particularly in the area of horizon scanning and potential spin-out follow-up. In addition, we have brought in some senior appointments including a Head of Corporate Finance in order to help prepare for later larger funding rounds and potential exits.

After four years on Park End Street, we have also moved offices to a more permanent establishment in line with our long-term University contract. Our new home on the Woodstock Road, part of a newly developed quad for postgraduates within Keble College, has excellent office and meeting room facilities and is ideally placed in the centre of the University enabling academics, entrepreneurs and investors to meet conveniently in one place. On the same site we have set up the Grass Roots incubator space providing offices/meeting/seminar rooms and break-out space for up to 15 companies and 80 people to further foster this symbiotic relationship so crucial to the ecosystems' development.

We continue to engage widely across the University, holding frequent meetings with key departments and senior personnel in the University administration, including regular interactions with OUI, the University's technology transfer office. Our Student Entrepreneurship Programme ('StEP'), run together with OUI and the Oxford Foundry, has been a great success, inviting student teams to take IP that would otherwise not be taken forward to see if they can generate a potential spin-out. Six promising companies were generated in 2019 and it will be further extended in 2020.

Coronavirus will have an impact on the portfolio companies. Given the fast-developing situation it is not yet clear the extent of the effect but we can expect the development of the companies to slow down and fundraising to be delayed. At the OSI level the cash balance at the start of the year of £389m provides comfort that support can be given to our leading investments until the situation improves.

4. Outlook
The Covid-19 pandemic has impacted all aspects of life during 2020. Although this has slowed the development of some of our portfolio companies there have also been some that have been affected positively. Both our vaccine companies, Vaccitech and Spybiotech, have potential vaccines in trials and several of our other companies are focused on developing tests for the virus or are assessing patient health through imaging. The overall pace of investment has not been materially affected by the pandemic and currently there continues to be a good pipeline of new spin-outs.

It has been a reflection of the strength of OSI that during this period the most promising of the portfolio companies have continued to be supported with a view to building long-term value.

Overall, with positive signs from government reinforcing an already world-class research base with an ever-expanding investor cohort and continuously improving management pool, OSI remains well set to benefit from the continuing emergence of Oxford as a source of world-class investment opportunities. Despite the impact of Coronavirus, 2020 is already shaping up to be our busiest year to date.

Jim Wilkinson
Interim Chief Executive Officer
23 September 2020

FINANCE REVIEW

At 31 December 2019, the Company held cash and deposits of £389m. This provides comfort that outleading investments can be supported during the Coronavirus pandemic.

Statement of comprehensive income
Overall, the Company recorded a profit for the year of £7.1m (2018: £34.3m) and a NAV (Net Asset Value) of £717.6m (2018: £707m).

A summary analysis of the Company's financial performance during the year is provided below:

	2019 £m	2018 £m
Other income	**1,332**	1,101
Net portfolio gains (unrealised)	**11,810**	41,850
Realised portfolio gains	**2,067**	–
Net financial instruments loss	**(631)**	(400)
Lab282 translational funding	**(1,461)**	(1,657)
Administrative expenses (excluding long-term bonus accruals and share-based payment credit/(charge))	**(9,725)**	(5,587)
Long-term bonus accrual	**(2,054)**	(4,929)
Share-based payment credit/(charge)	**(242)**	742
Net finance income	**5,987**	3,156
Profit for the year	**7,083**	34,276

Other income comprises incubator fees, executive search and selection, rent, legal and administrative support. Other income for the year increased to £1.3m (2018: £1.1m).

Net portfolio gains consist primarily of unrealised fair value gains and losses from equity holdings in spin-out businesses. A detailed analysis of fair value gains and losses is provided in the Portfolio Review on page 10.

The Company
Administrative expenses rose to £12.3m from £9.9m in 2018. This increase was predominantly due to the increased property costs – the Company currently manages three properties, providing office and lab space to the spin-out businesses. The underlying operational activities cash cost of the business excluding net finance income and working capital movements was £7.4m (2018: £4.2m).

Other funds
Lab282 represents a unique public-private partnership between OSI, the University of Oxford, Oxford University Innovation and Evotec AG, and will accelerate the development of new treatments and cures for serious and debilitating diseases. The Company has committed to invest £10m into the translational funding required by Lab282. Translational funding finances turn academic research into commercial proof of concepts which could then be spun out or licensed. The grants made into Lab282 are very risky with an expected high failure rate. If a project results in a commercial proposition which is spun-out into a company, the grant is converted into equity at a pre-agreed valuation. As such, it is not considered that a fair value can be attributed to the investment at initial grant stage such that the investments are initially carried at nil value. Consequently a negative fair value movement of £6.1m (2018: £1.7m) was recognised in the Statement of Comprehensive Income in the year. During the year, 11 projects had positive results and therefore a fair value increase was recognised being the initial grant value which totalled £4.9m (2018: £nil).

Lab10x represents a new partnership formed in 2019 between OSI, the University of Oxford, Sensyne plc and Evotec AG, and will accelerate the commercialisation of next-generation digital therapeutics and data-driven drug discovery. The Company has committed £1.5m, which is tranched over three years, alongside its other partners, into the translational funding required by Lab10x. If a project results in a commercial proposition which is spun out into a company, the grant is converted into equity at a pre-agreed valuation.

University Challenge Seed Fund ('UCSF') was formed by the University of Oxford in 1999. During 2019, OSI committed £5m to co-fund projects alongside the University. The fund aims to assist university researchers to successfully transform research to commercialisation. If a project results in a commercial proposition which is spun out into a company, the grant is converted into equity at the round valuation.

Statement of financial position
The Company ended the period with net assets attributable to shareholders of £717.6m. The most significant contributing factor to the increase in net assets during the period was the additional £3.6m (2018: £7m) capital raised and net fair value increases of £11.8m (2018: £41.9m).

At 31 December 2019, the Company held cash and deposits of £389m (2018: £455m) and a portfolio of investments in 78 private technology companies and other investments (2018: 69). The value of the Company's holdings in portfolio companies was £290.6m at year end (2018: £228.9m).

The equity rights asset represents the embedded value in the contract entered into by OSI, the University of Oxford and Oxford University Innovation Limited on 18 March 2015. The contract gives OSI a proportion of the University's founding shares in every spin-out from the science departments. This right lasts until 18 March 2030. Management have developed a valuation model based upon a number of key assumptions, and as described more fully in note 13 to the Company's financial statements, and have determined the fair value of the contract at 31 December 2019 to be £16.6m (2018: £20.4m).

Cash, cash equivalents and short-term deposits ('cash')
The principal constituents of the movement in cash during the year are summarised as follows:

	2019 £m	2018 £m
Net cash used in operating activities	**(8.3)**	(3.8)
Net cash used in investing activities	**(38.3)**	(56.6)
Issued share capital	**3.1**	7.0
Movement during period	**(43.5)**	(53.5)

In addition to the short-term cash balances held, the Company held £216m (2018: £237.4m) on deposits with notice periods of over three months.

At 31 December 2019, the Company's cash, including amounts held on deposit greater than three months, totalled £389m (2018: £455m), with the fall predominantly due to a net investment of £46.7m (2018: £54.7m) in spin-out companies and follow-on investments. This was partly offset by £3.6m (2018: £7m) equity capital raised.

It remains the Company's policy to place cash, which is surplus to near-term working capital requirements and investing activities, on deposit with financial institutions that meet the Company's treasury policy.

Taxation
The Company's business model seeks to deliver long-term value to its stakeholders through its investee companies by commercialising fundamental scientific research. This is largely achieved through the formation of, and provision of services and development capital to, spin-out companies formed around the output of such research. The Company primarily seeks to generate capital gains from its holdings in spin-out companies over the longer term but may make annual net operating losses from its operations from a UK tax perspective. Gains arising on sales of non-qualifying holdings would ordinarily give rise to taxable profits for the Company, to the extent that these exceed the Company's operating losses from time to time.

Since the Company's activities are substantially trading in nature, the Directors continue to believe that the Company qualifies for the Substantial Shareholdings Exemption ('SSE') on chargeable gains arising on the disposal of qualifying holdings and, as such, the Company has not recognised a provision for deferred taxation in respect of uplifts in value on those equity stakes which meet the qualifying criteria. The Company's unrecognised deferred tax assets and liabilities are set out in note 1 to the financial statements.

PRINCIPAL RISKS

Overall responsibility for the risk framework and definition of risk appetite rests with the Board, which through a regular review of risks ensures that risk exposure is matched with an ability to achieve the Company's strategic objectives. Risk identification, using a structured risk framework, is carried out primarily by the management team, with non-executive review being carried out by the Board.

Ranking of the Company's risks is carried out by combining the economic, operational or environmental impact of risks and the likelihood that they may occur. Those risks that are considered to pose the greatest threat to the Company and score the highest are identified as 'principal risks'. The operations of the Company, and the implementation of its objectives and strategy, are subject to a number of principal risks and uncertainties. Where more than one of the risks occur together, the overall impact on the Company may be compounded.

The design and ongoing effectiveness of the key controls over the Company's principal risks are documented using an 'assurance map', which includes an assessment of the net risk impact and likelihood post mitigating controls. The key controls over the Company's identified principal risks are regularly reviewed by management and the Board. However, the Company's risk management programme can only provide reasonable, not absolute, assurance that principal risks are managed to an acceptable level, and the Board is willing to accept a level of risk in managing the business in order to achieve our strategic goals.

During 2020 we are continuing and will continue to build on our existing risk management framework. We have worked with external advisers to undertake an assessment of our risk management framework, and the connection between our risk management framework to our strategy and our risk appetite. An updated risk management framework will be presented in the next annual report of the Company.

The key business risks affecting the Company are set out below, although they may not necessarily comprise all such risks.

Emerging Risks
The Company's management and Board regularly consider emerging risks, with below setting out some examples of emerging risks and a brief overview of the response of management at the Board.

1. Covid-19

The Covid-19 pandemic has presented novel challenges, as well as opportunities, for the Company and our portfolio.

From a risk management perspective, given the impact on health and safety, the Board and management prioritised steps to protect our employees, ensuring the continuity of our business without compromising safety. Measures we have taken include:
1. Establishing a weekly internal Covid-19 management Committee to react quickly to the evolving landscape, that reports directly to the CEO and into the Board for oversight;
2. Instructing all employees to work from home, in line with government guidance from 17 March; and
3. Ensuring all operations continue remotely, including management meetings.

Given the nature of our business, we have both the resources and infrastructure to ensure continued operation of our business without interruption. We have recently implemented pulse surveys to ensure that employees can provide anonymised feedback regarding our operations.

An equal priority has been risk management regarding the impact of Covid-19 on our portfolio companies. Since the beginning of the outbreak, the management and investment teams have remained in regular contact with all our portfolio companies, supporting them with research, resources and capability to mitigate negative impact as much as possible. Inevitably, a number of companies have experienced disruption to Research & Development programmes and also some delays to revenue progression. We have worked closely with management teams on mitigation strategies. Additionally, we have closely monitored those companies where funding rounds have been delayed, and we have proactively provided bridge funding where appropriate – a key strategic aim of OSI is to take a long-term investment approach, and it is worth highlighting that our robust capital position has provided us a strong and differentiated ability to continue to invest in the ambitions of our companies during this period of uncertainty. We have made eight bridge investments in conjunction with the Future Fund administered by the British Business Bank, which has provided matched funding up to £5m per investment (in the form of convertible debt). There remains a risk, however, of long-term economic instability which could negatively impact on the funding environment for our portfolio companies; the Board continues to monitor and assess this.

In addition to our assessment of the negative factors related to the Covid-19 pandemic, we are proud to highlight that we have several companies that are playing a part in the fight against the virus. Among these, Vaccitech and Spybiotech are contributing to the development of potential vaccines; Osler and ONI are working on the development of testing capabilities; and Ultromics' and Perspectum's scans are being utilised in the ICU setting.

2. Cyber and IT Security
Cyber and IT security continue to be key areas of risk for the Company and for our underlying portfolio, given our investments in intellectual property-focused businesses and businesses that operate in critical/sensitive technology areas. The Company has undertaken a comprehensive review of its IT security and cyber polices and has implemented significant advancements to infrastructure and procedures in both. The Board now receives regular updates regarding cyber risk and IT security. All staff have received updated training in these areas, and we continue to engage with the National Cyber Security Centre regarding best practice.

In 2020, a priority of the Company will be to undertake more extensive monitoring of cyber risk management/IT security at a portfolio level and provide additional resources for portfolio companies regarding cyber and IT security, so as to mitigate risk.

3. FDI regimes: Increasing regulation
Recent years have seen global shifts in both the policy frameworks for screening inward foreign investment and the way in which these regimes are applied. Foreign direct investment ('FDI') regimes are increasingly common in the investment and M&A sphere. A new standalone FDI regime is on the agenda for the UK, and we expect that this will be introduced in late 2020 or 2021. The environment is currently relatively uncertain and there is a risk that this reduces the pool of available capital for co-investment into the portfolio, and M&A/exit opportunities. The Board continues to monitor the landscape, and as part of the Company's next risk review, it may be that this risk is separated out from the general changes to legislation risk into its own principal risk.

Principal Risks

RISK AND DESCRIPTION	IMPACT	MITIGATION
It may be difficult for the Company and its early-stage companies to attract capital	This could adversely affect the development and value of spin-out companies and, consequently, the business, financial condition, results of operations and prospects of OSI. Capital constraints could affect the realisation value and speed of sale of spin-outs. If OSI has capital constraints it may not be able to participate in subsequent funding rounds and will see its shareholdings in spin-outs diluted.	OSI has a significant amount of cash reserves available for investment. Shareholders in OSI are in frequent communication with portfolio companies and can co-invest. OSI is developing numerous relationships with potential co-investors across the world.

Principal Risks continued

RISK AND DESCRIPTION	IMPACT	MITIGATION
University of Oxford and its relationship with OSI OSI is the preferred intellectual property partner for the University of Oxford, which gives OSI access to leading scientific research and a founders share in all spin-outs from the science departments. This relationship is governed by the Framework Agreement. If this is terminated, there would be an effect on OSI.	OSI receives certain advantages from the Framework Agreement with the University of Oxford. If this agreement was terminated it would have a material adverse effect on OSI's financial prospects through the loss of founders shares in spin-outs. If the University experiences a pronounced reduction in its research funding, it is reasonable to expect that this would have an adverse effect on both the quantity and quality of its research output, which could diminish the number and quality of spin-outs. Whilst the University of Oxford has rights to the intellectual property created by its academics, there can be no guarantee that it will enforce those rights even if it is aware that such intellectual property has been created and that the University is entitled to it. If these rights are not enforced then the University may not receive any Founder Equity in a spin-out and, accordingly, neither would the Company. The University may enter into contracts, such as Strategic Research Agreements, that could reduce the number of spin-outs or decrease its founding equity. There is no guarantee that spin-outs will seek finance from OSI and the arrangements are not exclusive. Accordingly, spin-out companies may approach and receive finance from one or more of the Company's competitors.	The University of Oxford has a golden share in OSI which creates a mutually beneficial partnership. OSI brings considerable advantages to spin-outs through its significant capital base and global shareholder support. This would still be in existence if the Framework Agreement was terminated. OSI has built up a considerable portfolio of companies to develop over the coming years. Any short- to medium-term decrease in spin-outs could be accommodated. OSI can also invest in companies on the Harwell and Culham campuses which have a significant number of start-ups.
Personnel of OSI and of the spin-out companies The spin-out companies require highly skilled and specialised employees. OSI is reliant on a small number of skilled and experienced personnel. OSI and its portfolio companies may not be able to attract new recruits.	Failure to attract and retain the right level of skilled employees could damage the growth prospects and value of the spin-out companies. The failure to attract and/or retain the small number of OSI staff could have an adverse effect on the business, financial condition, operational results and future prospects of the Company.	OSI ensures that the right incentives are in place to attract and retain personnel in both its spin-out companies and OSI. OSI staff are offered a balanced incentivisation package covering salary, short-term bonus, share options and long-term bonus.

RISK AND DESCRIPTION	IMPACT	MITIGATION
OSI primarily invests in early stage spin-outs where returns can be uncertain The following risks are associated with early stage companies: • The ability to secure subsequent funding to support ongoing research and development activities. • The impact of competing technologies entering the market with more resources. • The risk that the research and development will fail. • In some cases the ability to succeed will be dependent upon regulatory approval for certain trials to proceed. • Other universities, research institutions and companies may create intellectual property that competes, directly or indirectly, with that generated by the portfolio companies. • As equity realisations from spin-out companies are expected to be achieved through liquidity events, including trade sales and initial public offerings, the total income receivable by the Company from these sources may vary substantially from year to year.	There is no certainty that individual spin-out companies will prove to be successful or generate a return on investment for the Company. Variations in the pace and level of equity realisations may have a material adverse effect on OSI's business, financial condition, results of operations and prospects of the Company.	OSI has built experience in sourcing, developing and growing early-stage technology companies to significant value. OSI's investment principals are Non-Executive Directors on the main spin-outs to help identify and remedy critical issues promptly. OSI has significant cash balances and invests low levels of initial capital to enable identification and mitigation of potential failures at the earliest possible opportunity.
General economic climate OSI is based in the UK so its business will be influenced by the general economic climate, including implications of Brexit.	The market value of the Company's holdings in portfolio companies could be affected by a change in the general economic climate by affecting sentiment in the market, the market's appetite for specific asset classes and the financial or operational performance of the portfolio companies.	The portfolio companies have potentially global products that will be primarily aimed at international markets. The risk is spread through the OSI shareholder base being global with significant help for the portfolio companies in accessing overseas markets.
Changes in legislation and policy There may be unforeseen changes in Government policy or legislation (including taxation), or other changes in the terms upon which public monies are made available to universities and research institutions. Political uncertainty, such as Brexit, could have a number of potential impacts, including to the labour market or regulatory environment.	Such changes could result in universities and research institutions no longer being able or desiring to own or exploit intellectual property. Changes could make it commercially unattractive for research academics to carry out their research within the UK, and potentially make other countries more attractive. Changes in taxation law could affect the amount available to invest and the returns available. Changes in the UK's position in Europe due to Brexit may cause uncertainty. National security and investment legislation could reduce the capital invested by overseas companies.	University partners are incentivised to protect their intellectual property through shared returns on commercial projects between the University, academics and OSI. OSI use professional advisers to advise on any legislative changes. OSI has a global shareholder base and the spin-out companies primarily aim to sell their products across the world.

CORPORATE SOCIAL RESPONSIBILITY

Our goal is to build a sustainable and viable business. The Company therefore seeks to conduct all of its operating and business activities in an honest, ethical and socially responsible manner and these values underpin our business model and strategy.

We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships with consideration for the needs of all of our stakeholders, including our university partner, investors, suppliers, employees and our portfolio companies.

The Company is committed to ensuring a safe environment for employees as well as minimising the overall impact on the environment. OSI endeavours to conduct its business in accordance with established best practice, to be a responsible employer and to adopt values and standards designed to help guide staff in their conduct and business relationships.

The Company works with a variety of suppliers including SMEs as well as larger organisations. Where possible, we work with local suppliers, therefore having a positive impact on the community in which we operate.

The Company complies with all laws, regulations and rules applicable to its business, such as the Bribery Act 2010. We take a zero tolerance approach to bribery and corruption and have systems in place to prevent any such activities. In addition, all employees, consultants and Directors receive the appropriate training.

OSI's day-to-day activities have limited adverse social and environmental impact. There can, however, be a more significant impact indirectly through the nature and operations of the companies that we support. Our portfolio companies are developing solutions to some of the world's most significant social, environmental and health challenges.

Consequently, the Company recognises the importance of ensuring that the businesses it establishes and nurtures comply with all applicable environmental, ethical and social legislation. Our involvement in these companies allows greater scope to engage with their management teams and offer guidance.

Our support of early-stage businesses also demonstrates our alignment with Government initiatives in science and innovation and contributes to employment growth.

The Company seeks to have a positive impact on the community in which it operates. One of the ways in which it achieves this is through supporting local entrepreneurial activities. The Company has given a total of £150k to support the student All-Innovate competition and the Said Business School Oxford Seed Fund.

All our people are responsible for the promotion of, and adherence to, health and safety measures in the workplace. The Chief Financial Officer has overall responsibility for the implementation of the Company's health and safety policies and procedures. The primary purpose of the health and safety policy is to enable all of the Company's people to go about their everyday business at work in the expectation that they can do so safely and without risk to their health. During the years ended 31 December 2019 and 31 December 2018, no reportable accidents occurred under UK Health and Safety regulations.

OSI plc is an equal opportunities employer. Diversity is key to how we work and we believe that great ideas can come from anyone. As such, we believe in equal opportunity for all people when it comes to recruitment, selection and career development. For the year ended 31 December 2019, the Company employed an average of 33 employees and had seven Non-Executive Directors. There are 33 full-time employees with 14 being female and 19 male during the year. There is one female and six male Non-Executive Directors. OSI plc supports the rights of all people as set out in the UN Universal Declaration of Human Rights and, insofar as it is able to, ensures that all transactions the Company enters into uphold these principles.

Exceptional people doing exceptional things should be well rewarded for achieving exceptional results.

While heavily weighted to successful performance over the medium to long term, we consider that the Company offers an attractive overall remuneration package to all our employees with both short- and longer-term components. We benchmark remuneration and benefits regularly against the industry. Our remuneration and benefits package focuses on supporting health (through private medical and Bike2Work) and family (through inclusion of families in some of our other benefit options).

While we believe the direct environmental impact of OSI plc is relatively small, the Company is committed to ensuring the environmental impacts of our business operations remain as low as possible. We recognise our responsibility to ensure that the business operates in an environmentally responsible and sustainable manner. Employees are encouraged to reduce their impact on the environment by hosting meetings via video conference where possible, thereby only engaging in business travel when necessary, using public transport, and by minimising the usage of paper by using the recycling facilities provided in our offices.

The Strategic Report as set out on pages 1 to 29 has been approved by the Board.

Christopher Chambers
Chairman
23 September 2020

BOARD OF DIRECTORS

Christopher Chambers

Non-Executive Chairman

Chris has been on the Board of OSI since its foundation. He has extensive experience in leading and advising global financial institutions. He is currently Chairman of Lonrho, the African conglomerate, and Leonteq. He is also a member of the supervisory board of Swiss Prime Site and a Senior Advisor to Lone Star Europe. Chris started his career in investment banking at Barclays de Zoete Wedd. He was Head of European Equity Capital Markets at Credit Suisse before becoming CEO of Man Investments, the global hedge fund, and member of the Man Group's main board. He is also a fellow of the Royal Society of Arts.

Jim Wilkinson

Interim Chief Executive Officer and Chief Financial Officer

Jim joined OSI as CFO and Director at the time of founding in 2015 and has been the interim CEO since November 2019. He has 25 years of experience in leading roles at large listed and private companies and was a founding director at Informa Group Plc. Prior to his role at OSI, Jim was the CFO of a number of companies, including Lonrho, Sportingbet, Johnson Service Group, Informa Group and IBC Group. He holds a BSc in Economics from the University of Salford. He trained as an accountant with Touche Ross, where he worked for eight years. At OSI, Jim works closely with the investment team on all transactions (fundraises and exits). He also oversees all OSI internal operations.

Peter Davies

Non-Executive Director

Peter has been on the Board of OSI since its foundation. He is a Senior Partner and Head of Developed Markets Strategy at Landsdowne Partners and has worked for the company for 18 years. Prior to this, he was a Director at Merrill Lynch Investment Managers and a Fund Manager at Mercury Asset Management. Peter is also a member of the investment committee of the Oxford University Endowment Fund. Peter holds an MA (First) in Philosophy, Politics and Economics from the University of Oxford.

Alan John Aubrey

Non-Executive Director

Alan has been on the Board of OSI since its foundation. He is currently CEO of IP Group, a FTSE 250 business that specialises in university spin-outs in the US, the UK and Australia. He was previously the joint founder and Chief Executive of Techtran Group Ltd, a company that provided outsourced technology services to leading universities. Techtran was acquired by IP Group in 2005. From 1995 to 2002 Alan was a corporate finance partner at KPMG, where he specialised in providing advice to fast-growing technology businesses. Alan is also Non-Executive Chairman of Proactis Holdings plc, an AIM-listed software company based in York, Non-Executive Chairman of Ceres Power, an AIM-listed fuel-cell Company and Non-Executive Director of Oxford Nanopore, a gene sequencing company. Alan holds a BA in Economics from the University of Leeds and an MBA from the University of Bradford.

Giles Kerr

Non-Executive Director

Giles has represented the University on the Board of OSI since its foundation. He has over 35 years of experience in finance and growing technology-based companies, with a particular interest in life sciences. He has worked at main board level in a number of sectors, mainly with large international organisations (inc. public FTSE 100 and FTSE 250 companies) and the University of Oxford. He was formerly the CFO of the University of Oxford, a position he held from 2005 to 2018. He is currently a Director of Arix, Chairman of the audit committees of Arix, Senior and Paypoint and a member of the audit committees of Abcam and Adaptimune Therapeutics. He was previously a Director at Oxford University Innovation, CFO of Amersham and an audit partner with Arthur Anderson & Co. He holds a BA in Economics from the University of York and is a chartered accountant.

Sir John Bell GBE FRS

Non-Executive Director

Professor Bell has represented the University on the Board of OSI since its foundation. He is the Regius Professor of Medicine at the University of Oxford. He was the founder of the Wellcome Trust Centre for Human Genetics and has played a key role in the expansion of biomedical research at the University. He now leads the development of the Medical Sciences Division's research strategies and plays a major role in external relations. Professor Bell is an NED of Roche Holding, and Chairman of the Bill & Melinda Gates Foundation Global Health Advisory Board. He sits on the board of Genomics England and chairs its Science Advisory Committee. He was President of The Academy of Medical Sciences from 2006 to 2011 and is a founding Director of three biotech start-ups. Professor Bell trained in Medicine at the University of Oxford, where he specialised in genetics and immunology. He is a Rhodes scholar.

Bernard Taylor

Non-Executive Director

Bernard has represented the University on the Board of OSI since its foundation. He has over 30 years of experience in advising UK and international transactions. He was previously Vice-Chairman of JPMorgan and CEO of Evercore Partners International, where he remains the Chairman. He is a retired member of the Council of the University of Oxford and a member of the University's Remuneration Committee, Finance Committee, Mathematical, Physical and Life Sciences Division Board and Medical Sciences Division Board. He is Chairman of the Ashmolean Museum Board of Visitors, Chairman of the Royal Commission for the Great Exhibition of 1851, Chairman of Garsington Opera, Chairman of the Advisory Board of the Royal Society, a Director of the ERA Foundation and a member of the Advisory Board of Networked Quantum Information Technologies. He is Deputy Steward of Oxford University, Deputy Lieutenant of Oxfordshire and an Honorary Fellow of St. John's College. He holds an MA from the University of Oxford and is a Fellow of the Royal Society of Chemistry.

Aneeqa Khan

Non-Executive Director

Aneeqa joined the Board of OSI in early 2019. She is the CEO and Founder of eporta, an online wholesale, B2B, e-commerce platform for the interior design industry. She was previously the Strategy Director for Zoopla and led the $1bn IPO of the business. Aneeqa began her career in private equity after graduating. She was hired by Terra Firma as their youngest employee aged 21, where she was an Investment Analyst. She then went on to work as an Investment Executive at CVC, where she was again the youngest person to join the team, aged 24. She holds a MA in Philosophy, Politics and Economics from the University of Oxford.

Andre Crawford-Brunt

Non-Executive Director

Andre joined the Board of OSI in February 2020. Andre was formerly the Global Head of Equity Trading at Deutsche Bank and is now a partner at Braavos Capital. Andre holds numerous investments and board/advisory positions including NextBiosciences, Sygnia Asset Management, Osler Diagnostics, Ultromics and is a founder investor at Deep Science Ventures. Andre holds a BCom (business administration and commercial law) degree from Rhodes University.

CORPORATE GOVERNANCE REPORT

The Board is accountable to the Company's shareholders for good governance and this report, together with the Report of the Audit Committee of the Board, describes the Company's approach to corporate governance and further information on the key developments in these areas during the year.

2019 Board Attendance

- Patrick Pichette
- Jim Wilkinson
- Christopher Chambers
- Peter Davies
- Bernard Taylor
- Professor Sir John Bell
- Giles Kerr
- David Norwood
- Charles Conn
- Alan Aubrey
- Aneeqa Khan

Compliance with the UK Corporate Governance Code

There is no mandatory corporate governance regime with which the Company must comply. However the Board is committed to a high standard of Corporate Governance and is aiming for full compliance with the best practice of the UK Corporate Governance Code (the 'Code') in due course. The Directors consider that the Company is not yet fully compliant with the Code, but looks to take the Code into consideration as well as the provisions of the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 as published by the Quoted Companies Alliance insofar as they are appropriate given the Company's size and stage of development.

Further explanation as to how the corporate governance standards, including the provisions of the Code where relevant, have been applied by the Company is set out in the following statement, the Audit Committee Report and the Strategic Report.

The Board

Roles and responsibilities of the Board

The Board is responsible to shareholders for the overall management of the Company as a whole. Whilst seeking to support entrepreneurial behaviour in its partner institutions through the identification of compelling intellectual property with the potential to grow into robust and unique business propositions, the Board also seeks to provide entrepreneurial leadership within a framework of controls for assessing and managing risk; defining, challenging and interrogating the Company's strategic aims and direction.

The Board recognises that in doing so it is necessary to support the maintenance and evolution of a policy and decision-making framework in which such strategic aims are implemented; ensuring that the necessary financial and human resources are in place to meet those aims; monitoring performance against key financial and non-financial indicators; succession planning; overseeing the system of risk management; setting values and standards in governance matters; monitoring policies and performance on corporate social responsibility and helping to shape and embed the Company's corporate culture and values.

The Directors recognise that the long-term nature of the business of the Company in evolving intellectual property into world-changing companies presents challenges from both an operational and strategic standpoint. The Company is evolving its processes and systems to support its portfolio companies as they reach each stage of development. The success of the

Company's portfolio, albeit with many companies still at a very early stage of development, has been borne out over the course of the year through the validating investments of third parties.

The Directors are responsible for promotion of the long-term success of the Company, taking into account the interests of shareholders and other key stakeholders including employees, suppliers, customers, the University of Oxford and other partners, the community and the environment; for ensuring that obligations to shareholders and other stakeholders are understood and met; and in maintaining a satisfactory dialogue with shareholders. All Directors are equally accountable to the Company's shareholders for the proper stewardship of its affairs and the long-term success of the Company. The responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors. The Executive Directors are directly responsible for running the business operations, and developing and implementing strategy, and the Non-Executive Directors are responsible for constructively challenging and contributing to proposals on strategy, scrutinising the performance of management, determining levels of remuneration and for succession planning for the Executive Directors. The Non-Executive Directors must also satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and comprehensive. Further details in relation to the Company's approach to the management of its business risks are set out on pages 24 to 27.

Matters reserved for the Board

- Approval of the Annual Report and Accounts and half-year results statement, accounting policies and procedures or any matter having a material impact on future financial performance of the Company.
- Strategic acquisitions or disposals by the Company.
- Major portfolio capital allocation decisions, being those in excess of £2.5m per investment.
- Entry by the Company into strategic partnerships.
- Major disposals from the Company's portfolio.
- Approval and monitoring of the Company's strategic aims and objectives.
- Approval of the annual budget and any material changes to it.
- Considering and, where appropriate, approving Directors' conflicts of interest.
- Approving appointments to the Board and determining and approving policies relating to Directors' remuneration.
- Approval of terms of reference and membership of Board Committees.
- Approval of the appointment and remuneration of the external auditors.
- Approval of all circulars, prospectuses and other documents issued to shareholders.
- Changes to the Company's capital structure, the issue of any securities and material borrowing of the Company.
- The division of responsibility between the Chairman and the Chief Executive Officer.
- The introduction of new share incentive plans or major changes to existing plans.
- Material borrowings by the Company.
- Litigation.

Board size and composition

Diversity

The Board is committed to a culture that attracts and retains talented people to deliver outstanding performance and further enhance the success of the Company. In that culture, diversity across a range of criteria is valued. The Board recognises that diversity, in all its aspects, is key for introducing different perspectives into Board debate and decision-making. A genuinely diverse Board comprises individuals with a range of personal attributes, perspectives, skills, knowledge, experiences and backgrounds, as well as representing differences in nationality, race and gender.

The Board's policy is to make appointments to the Board based upon merit against objective criteria. In addition, the Board agrees that diversity (including gender, ethnic and cultural diversity) remains a key aspect in creating an optimal Board in terms of balance and composition. The Board does not consider it appropriate to set targets at this stage with respect to ethnic diversity.

As at 31 December 2019, there were nine Directors on the Board: the Chairman, one Executive Director and seven Non-Executive Directors. Since that date, the appointment of one Non-Executive Director and the resignation of the then Chairman have been made. The biographies of all current Directors are provided on pages 30 and 31. New Directors may be appointed by the Board.

Non-Executive Directors

The Non-Executive Directors provide a wide range of unique skills and experience to the Company. By virtue of such a diverse mix of skills and experience, the Non-Executive Directors are, and continue to be, well placed to constructively challenge and scrutinise the performance of executive management at both Board and Committee meetings.

The Code sets out the circumstances that should be relevant to the Board in determining whether each Non-Executive Director is independent. The Board is aware that the current Non-Executive Directors may not be considered fully independent given their relationships to the University of Oxford and/or shareholders. However, it is considered that they make a valuable contribution given the early stage of the Company's development.

The roles of Chairman and Interim Chief Executive

Christopher Chambers is the Company's Chairman. The Chairman is responsible for the leadership and conduct of the Board, the conduct of the Company's affairs and strategy and for ensuring effective communication with shareholders. The Chairman facilitates the full and effective contribution of Non-Executive Directors at Board and Committee meetings, ensures that they are kept well informed and fosters a constructive relationship between the Executive Director and Non-Executive Directors. The Chairman also ensures that the membership of the Board is appropriate to the needs of the business and that the Board Committees carry out their duties, including reporting back to the Board following their meetings, either orally or in writing, at the next Board meeting depending on its proximity to the meeting of the relevant Committee.

Corporate Governance Report continued

The role of the Interim Chief Executive Officer is to lead the delivery of the strategy and the executive management of the Company and its operating business. The Interim Chief Executive Officer is responsible, amongst other things, for the development and implementation of strategy and processes which enable the Company to meet the requirements of shareholders, for delivering the operating plans and budgets for the Company's business sectors, monitoring business performance against key performance indicators ('KPIs') and reporting on these to the Board, and for providing the appropriate environment to recruit, engage, retain and develop the high-quality personnel needed to deliver the Company's strategy.

Board meetings

Provision of information and decisions

The Board meets regularly during the year as well as on an ad hoc basis, as required in response to the needs of the Company's business. The Board had six scheduled Board meetings in 2019 with ten Board meetings scheduled for 2020 to ensure that the meeting schedule is sufficient to meet the needs of the business. Supplementary meetings of the Board and/or the Committees are held as and when necessary in response to business needs. The requirement for additional scheduled meetings shall be kept under review by the Board.

The majority of Board meetings were held at the Company's offices in Oxford prior to Covid-19. Meetings between the Chairman and the Non-Executive Directors, both with and without the presence of the Interim Chief Executive Officer, are also held as the need arises.

The schedule of Board and Committee meetings each year is, so far as possible, determined before the commencement of that year and all Directors or, if appropriate, all Committee members are expected to attend each meeting.

On not less than three business days prior to each scheduled Board meeting, every member of the Board receives detailed Board packs, which include an agenda based upon the schedule of matters reserved for its approval along with appropriate reports, save in respect of meetings called on short notice or where late papers are permitted to be included with the consent of the Chairman. If a Director is unable to attend a meeting due to exceptional circumstances, he or she will still receive the supporting papers and will usually discuss any matters he or she wishes to raise with the Chairman in advance of the meeting.

The Chairman and Interim Chief Executive Officer work together to ensure that the Directors receive relevant information to enable them to discharge their duties and that such information is accurate, timely and clear. This information includes monthly management accounts containing an analysis of performance against budget and other forecasts.

Additional information is provided as appropriate or if requested. At each meeting, the Board receives information, reports and presentations from the Interim Chief Executive Officer and, by invitation, other employees as required. This ensures that all Directors are aware of, and are in a position to monitor effectively, the overall performance of the Company, its development and implementation of strategy, and its management of risk.

The Board is supported by a paper analysing the relevant aspects of the proposal including costs, benefits, potential risks involved and proposed executive management action and recommendation.

Director	No. of meetings attended
Patrick Pichette (Former Chairman)	4
Jim Wilkinson Interim (Chief Executive Officer)	6
Christopher Chambers (Chairman)	5
Peter Davies	6
Bernard Taylor	6
Professor Sir John Bell	5
Giles Kerr	6
David Norwood	1
Charles Conn	4
Alan Aubrey	6
Aneeqa Khan	6

Directors' conflicts of interest

Each Director has a statutory duty under the Companies Act 2006 (the 'CA 2006') to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts or may potentially conflict with the interests of the Company. This duty is in addition to the continuing duty that a Director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company in which he or she is interested.

The Board has established procedures for managing and, where appropriate, authorising any such conflicts or potential conflicts of interest. It is a recurring agenda item at all Board meetings and this gives the Directors the opportunity to raise at the beginning of every Board meeting any actual or potential conflict of interests that they may have on the matters to be discussed, or to update the Board on any change to a previous conflict of interest already declared.

Induction, awareness and development

A comprehensive induction process is in place for new Directors. Each induction is tailored to the needs of each individual Director and agreed with him or her so that they can gain a better understanding of the Company, its businesses and their duties and responsibilities as a Director. This process includes: an overview of the Company and its businesses, structure, functions and strategic aims; training on key legal matters relevant to the Company and its policies (such as matters relevant to anti-bribery and whistleblowing policies and procedures); and meeting with a number of the Company's key portfolio companies.

Remuneration and Audit Committees

A separate report on the role, composition, responsibilities and operation of the Audit Committee is set out on page 36. The Remuneration Committee report is included within the Directors' Report.

Nominations and Governance Committee

This was established during the year and consisted of Patrick Pichette as Chair, Professor Sir John Bell, Aneeqa Khan and Peter Davies. The Nominations and Governance Committee leads the process for all Executive and Non-Executive appointments and the re-election and succession of Directors and the Chairman. Its key objective is to ensure that the Board comprises individuals with the necessary skills, knowledge and experience to ensure that the Board is effective in discharging its duties.

In connection with appointments, the Board has adopted a formal, rigorous and transparent procedure, including giving full consideration to the balance, skills, knowledge, independence and diversity (including gender) on the Board in advance of any new search for a Director to ensure a suitable balance is maintained.

Investment Committee

The Investment Committee considers all investment proposals between £0.25m and £2.5m. The Committee consists of the CEO, CFO and two Non-Executive Board members, Alan Aubrey and Bernard Taylor.

Succession planning
As the Company has developed and built out its functions and employees, succession planning has been less relevant. The Board recognises that succession planning is a key factor of sound corporate governance practice and in ensuring the ongoing, long-term issues facing the Company, the Chairman and Non-Executive Directors are encouraged to meet all of the portfolio companies, especially when they are nearing a key milestone.

Committees of the Board
The Board has four formal Committees: the Remuneration Committee; the Audit Committee; the Nominations and Governance Committee; and the Investment Committee. The composition of the four Committees of the Board and the attendance of the members throughout the year is set out in the reports of those Committees.

Internal control
The Board fully recognises the importance of the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Company's internal controls were reviewed by the Board and were considered to be effective throughout the year ended 31 December 2019.

The Board is responsible for establishing and monitoring internal control systems and for reviewing the effectiveness of these systems. The Board views the effective operation of a rigorous system of internal control as critical to the success of the Company. However, it recognises that such systems can provide only reasonable and not absolute assurance against material misstatement or loss. The key elements of the Company's internal control system, all of which have been in place during the financial year and up to the date when these financial statements were approved, are as follows:

- **Control environment and procedures**
  The Company has a clear organisational structure with defined responsibilities and accountabilities. It adopts the highest values surrounding quality, integrity and ethics, and these values are documented and communicated clearly throughout the whole organisation.

  Detailed written policies and procedures have been established covering key operating and compliance risk areas. These are reviewed and updated at least annually by the Board. The Board considers that the controls have been effective for the year ended 31 December 2019.

- **Identification and evaluation of principal risks and uncertainties**
  The operations of the Company and the implementation of its objectives and strategy are subject to a number of key risks and uncertainties. The Board actively identifies and evaluates the risks inherent in the business, formally reviews these on at least an annual basis (or as market or business developments require) and ensures that appropriate controls and procedures are in place to monitor and, where possible, mitigate these risks.

  The Board also reviews equity investments at each Board meeting, although performance of specific investments may be reviewed more frequently if deemed appropriate, dependent on their relative size as regards the aggregate portfolio as a whole.

  The Board maintains an up-to-date Register of Risks setting out mitigations in place in each case. The key risks and uncertainties faced by the Company, as well as the relevant mitigations, are set out on pages 24 to 27. Were more than one of the risks to occur together, the overall impact on the Company may be compounded.

- **Information and financial reporting systems**
  The Company evaluates and manages significant risks associated with the process for preparing accounts by having in place systems and controls that ensure adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The Board approves the annual operating budgets and receives details of actual performance measured against the budget each month.

Relations with stakeholders
The Company is committed to a continuous dialogue with shareholders as it believes that it is essential to ensure amongst its shareholders a greater understanding of, and confidence in, the short-, medium- and longer-term strategy of the Company and in the Board's ability to oversee its implementation. It is the responsibility of the Board as a whole to ensure that a satisfactory dialogue takes place. The Board's primary shareholder contact is through the Chairman and the Interim Chief Executive Officer.

The Company uses the Annual General Meeting ('AGM') as an opportunity to communicate with its shareholders. Notice of the AGM, which will be held on 20 October 2020, is enclosed with this report. In line with the Code, the Notice of AGM will be sent to shareholders with the Annual Report. Details of the resolutions and the explanatory notes thereto are included with the Notice. To ensure compliance with the Code, the Board proposes separate resolutions for each issue and proxy forms allow shareholders who are unable to attend the AGM to vote for or against or to withhold their vote on each resolution. The results of all proxy voting will be available from the Company Secretary on application.

The Company's website (www.oxfordsciencesinnovation.com) is the primary source of information on the Company. The website includes an overview of the activities of the Company, details of its portfolio companies, and its key partnerships and other strategic collaborations.

Political expenditure
Although it is the Company's policy not to incur political expenditure or otherwise make cash contributions to political parties, and it has no intention of changing that policy, the CA 2006 is very broadly drafted in this area and the Board has raised a concern that it may include activities such as funding conferences or supporting certain bodies involved in policy review and law reform. Accordingly, at the AGM held on 13 June 2019 as per previous Annual General Meetings, the shareholders passed a resolution on a precautionary basis to authorise the Company to incur political expenditure (as defined in Section 365 of CA 2006) not exceeding £50,000 in total at any time from the date of the AGM up to the conclusion of the 2019 AGM. No political expenditure has been incurred in 2018. The Board intends to seek renewed authority for the Company to incur political expenditure of not more than £50,000 in total at the Company's 2020 AGM, to be held on 20 October 2020, which they might otherwise be prohibited from making or incurring under the terms of CA 2006.

Going concern
The Directors confirm that they have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the financial statements.

AUDIT COMMITTEE REPORT

The Committee monitors the integrity of the financial statements of the Company, and reviews the proposed annual results announcements to be made by the Company with consideration being given to any significant financial reporting judgements contained in them.

The Committee also advises the Board on whether it believes the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for stakeholders to assess the Company's performance, business model and strategy. The Committee also considers internal controls, compliance with legal requirements, accounting standards and also reviews any proposed change in accounting policies and any recommendations from the Company's auditor regarding improvements to internal controls and the adequacy of resources within the Company's finance function. Finally, the Committee takes responsibility on behalf of the Board for the review of risk management and controls within the Company, as well as conducting an annual robust assessment of these.

Committee membership
The Audit Committee comprises:
- Giles Kerr – Chairman
- Alan Aubrey

The Audit Committee has met twice during 2019 with all members attending.

The Company's Chief Financial Officer and Financial Accountant, and the independent auditor were also invited to attend the meetings and did so. Once in the year the Committee also met the auditor without the Company's Chief Financial Officer and Financial Accountant being present.

Activities during the year
The main activities of the Committee during 2019 can be seen by referring to the summary agenda items below:
- Receipt of the auditor's "Planning Report" and "Year End Report".
- Assessment of the Annual Financial Statements and Business Report and recommendation to the Board for approval.
- Independence of the external auditors.
- Recommendation to the Board for submission by external auditors.
- Approval of audit and non-audit fees.
- Review of tax position.
- Review of treasury policy.
- Assessment of independence of the members of the Audit Committee.
- Review and assessment of the Risk Register.
- Changes to International Financial Reporting Standards.
- Review of valuation of investments.
- The requirement for an internal audit function.
- Noting the Company's financial forecasts.

Key areas covered by the Audit Committee

Valuation of assets and liabilities

This remains the key risk in the Company's financial statements. The Audit Committee discusses with management and the auditor the approach that has been taken in assessing all key estimates. The most material area of judgement in the financial statements relates to the valuation of the equity investments, which at year end had a carrying value of £291m. The Committee satisfied itself that the portfolio valuations were materially correct.

At year end the fair value of the Company's equity rights asset was £16.6m. The assumptions behind the equity rights valuation model were reviewed by the Audit Committee and found to be reasonable.

Review of Annual Report and Accounts

The Committee carried out a thorough review of the Company's 2019 Annual Report and Accounts resulting in the recommendation for approval by the Board. In carrying out its review, the Committee gave particular consideration to whether the Annual Report, taken as a whole, was fair, balanced and understandable, concluding that it was. It did this primarily through consideration of the reporting of the Company's business model and strategy, the competitive landscape in which it operates, the significant risks it faces, the progress made against its strategic objectives and the progress made by, and changes in fair value of, its portfolio companies during the year.

Internal control

The Committee is responsible for establishing and monitoring internal control systems and for reviewing the effectiveness of these systems. It views the establishment of an effective operation of a rigorous system of internal control as critical to the success of the Company. It recognises that such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The key elements of the Company's internal control system, all of which have been in place during the financial year and up to the date these financial statements were approved, are as follows:

- **Control environment and procedures**
  The Company has a clear organisational structure with defined responsibilities and accountabilities. It adopts the highest values surrounding quality, integrity and ethics. These values are being documented and communicated clearly throughout the Company.

  Detailed written policies and procedures have been established covering key operating and compliance risk areas.

  The Committee considers that the controls have been effective for the period ended 31 December 2019.

- **Identification and evaluation of principal risks and uncertainties**
  The operations of the Company and the implementation of its objectives and strategy are subject to a number of key risks and uncertainties. The Board identifies, evaluates and annually reviews these risks. Appropriate controls and procedures are in place to monitor and, where possible, mitigate these risks. The key risks and uncertainties faced by the Company are set out on pages 24 to 27.

- **Information and financial reporting systems**
  The Company has systems and controls in place to ensure adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The Board approves the annual operating budgets and receives details of actual performance measured against the budget each month.

- **Internal audit**
  Due to the size of the Company, where close control over operations is exercised by a small number of executives, the Company does not maintain a separate internal audit function. The Audit Committee reviews the need to have an internal audit function each year.

Going concern

The Directors confirm that they have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the financial statements.

Whistleblowing policy

There is a formal whistleblowing policy which has been communicated to employees, consultants and Directors. This policy provides information on the process to follow in the event that any employee feels it is appropriate to make a disclosure. The Audit Committee is satisfied that the policy provides an adequate basis for employees to make representations in confidence to the Company and for appropriate and proportionate investigations.

External audit

The effectiveness of the external audit process is dependent on appropriate risk identification. In December, the Committee discussed the auditor's audit plan for 2019. This included a summary of the proposed audit scope and a summary of what the auditor considered to be the most significant financial reporting risks facing the Company together with the auditor's proposed audit approach to these significant risk areas. The main areas of audit focus for the year were the valuation of investments in portfolio companies and the valuation of equity rights.

Appointment and independence

The Audit Committee advises the Board on the appointment of the external auditor and on its remuneration, both for audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditor. The Committee keeps under review the cost-effectiveness and the independence and objectivity of the external auditor. Controls in place to ensure this include monitoring the independence and effectiveness of the audit, implementing a policy on the engagement of the external auditor to supply non-audit services, and a review of the scope of the audit, and fee and performance of the external auditor.

Non-audit work

The Audit Committee approves all fees paid to the auditor for non-audit work. An analysis of audit and non-audit fees is provided in note 6 to the financial statements on page 49.

Auditor independence

A formal statement of independence is received from the auditor each year and the Audit Committee is satisfied that the independence of the auditor has been maintained.

Giles Kerr
Chairman of the Audit Committee
23 September 2020

DIRECTORS' REPORT

Report of the Directors
Information that fulfils the requirements of the Corporate Governance Statement can be found in the Corporate Governance Report on pages 32 to 35 and is incorporated into this Directors' Report by reference.

Results and dividends
During the period, the Company made an overall profit after taxation for the year ended 31 December 2019 of £7.1m (2018: profit of £34.3m). The Directors do not recommend the payment of a dividend (2018: £nil).

Directors
The names of Directors who currently hold office or did so during 2019 are as follows:

Executive Director
Charles Conn (resigned 4 February 2020)
Jim Wilkinson (Interim CEO and CFO)
David Norwood (resigned 31 January 2019)

Non-Executive Director
Christopher Chambers (Chairman)
Peter Davies
Aneeqa Khan (appointed 26 March 2019)
Patrick Pichettte (resigned 30 January 2020)
Bernard Taylor
Professor Sir John Bell
Giles Kerr
Alan Aubrey
Andre Crawford-Brunt (appointed 14 February 2020)

Remuneration Committee
The Remuneration Committee comprises:
Christopher Chambers
Professor Sir John Bell
Bernard Taylor – Chairman

The Remuneration Committee has met two times during 2019 with all members attending.

Directors' emoluments
The Company has incentivised employees and the Chief Financial Officer ('CFO') with a salary, share option package and long-term bonus plan.

A discretionary bonus was paid to employees in 2019 totalling £62k (2018: £99k).

The Company made contributions to pension arrangements of £71k (2018: £35k).

The total emoluments paid to Directors in 2019 was £1.8m (2018: £1m) and the highest-paid Director received emoluments of £1.1m (2018: £703k), including £250k for loss of office, in the year.

Nomination and Corporate Governance Committee
During the year a Nomination and Corporate Governance Committee was established. The members were:

Christopher Chambers – Chairman (appointed 20 February 2020)
Aneeqa Khan
Professor Sir John Bell
Peter Davies
Patrick Pichette (resigned 20 February 2020)

Directors' interests in shares
The Directors who held office during 2019 had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2019 Number of shares	31 December 2018 Number of shares
Christopher Chambers	**1,835,000**	1,835,000
Bernard Taylor	**833,333**	833,333

There have been no other changes in the interest of the current Directors set out above between 31 December 2019 and 18 September 2020.

Substantial shareholders
As at 18 September 2020, the Company had the following shareholders with interests of 3 per cent or more in its Ordinary Share capital:

Shareholders	%
Braavos Capital	15.2
Lansdowne Partners	13.0
University of Oxford Endowment Fund	5.3
The University of Oxford	5.0
The Wellcome Trust	4.0
Sygnia	3.9
Invesco	3.6
Temasek	3.4

Principal risks and uncertainties and financial instruments
The Company, through its operations, is exposed to a number of risks. The Company's risk management objectives and policies are described on pages 24 to 27 and in the Corporate Governance Report on page 32. Further information on the Company's financial risk management objectives and policies, including those in relation to credit risk, liquidity risk and market risk, is provided in note 23 to the consolidated financial statements, along with further information on the Company's use of financial instruments.

Share capital and related matters
Details of the structure of the Company's share capital and the rights attached to the Company's shares are set out in note 18 to the financial statements. There are no special restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association (the 'Articles') and prevailing legislation.

At the last AGM of the Company, held on 13 June 2019 ('the 2019 AGM'), authority was given to the Directors pursuant to the relevant provisions of the Companies Act 2006 to allot shares and grant rights over securities in the Company up to a maximum amount equivalent to approximately one-third of the issued Ordinary Share capital on 18 September 2020 at any time up to the conclusion of the next AGM of the Company. In addition, at the 2019 AGM, the Directors were also given authority effective for the same period as the aforementioned authority to allot shares and grant rights over securities in the Company up to a maximum of approximately a further one-third of the total Ordinary Share capital in issue on 18 September 2020 in connection with an offer by way of a fully pre-emptive rights issue. The Directors propose to renew both of these authorities at the Company's next AGM to be held on 20 October 2020. The authorities being sought are in accordance with guidance issued by the Investment Association. A further special resolution passed at the 2019 AGM granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006, both: (i) in connection with a rights issue; and (ii) up to a maximum of approximately 5% of the aggregate nominal value of the shares in issue on 18 September 2020, each authority exercisable at any time up to the conclusion of the next AGM of the Company. The Directors will seek to renew these authorities for a similar period at the next AGM to be held on 20 October 2020.

Articles of Association
The Company's Articles may be amended by a special resolution of the shareholders.

Directors' indemnity and liability insurance
During the year, the Company has maintained liability insurance in respect of its Directors. Subject to the provisions of the Companies Act 2006, the Articles provide that, to the extent that the proceeds of any liability insurance are insufficient to meet any liability in full, every Director is entitled to be indemnified out of the funds of the Company against any liabilities incurred in the execution or discharge of his or her powers or duties. A copy of the indemnity is available for inspection as required by the Companies Act 2006.

Political donations
The Company did not make any political donations during 2019.

Directors' responsibilities
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 are required to prepare the financial statements in accordance with IFRS, as adopted by the E.U. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the E.U. have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor
Each of the persons who is a Director at the date of approval of this Annual Report confirms that:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director in order 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.

Appointment of auditor
A resolution to reappoint BDO LLP will be proposed at the AGM to be held on 20 October 2020.

On behalf of the Board

Christopher Chambers
Chairman
23 September 2020

Independent Auditor's Report
to the members of Oxford Sciences Innovation plc

Opinion
We have audited the financial statements of Oxford Sciences Innovation Plc ('the Company') for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows and the Statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Kim Hayward
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
24 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income
For the year ended 31 December 2019

		2019			2018		
	Note	OSI £'000	LAB282/ Lab10x* £'000	Total £'000	OSI £'000	LAB282* £'000	Total £'000
Portfolio returns and revenue							
Revenue from services and other income	4	**1,332**	**–**	**1,332**	1,101	–	1,101
Change in fair value of equity investments	12	**11,810**	**–**	**11,810**	41,850	–	41,850
Realised gain on equity investment		**2,067**	**–**	**2,067**	–	–	–
Change in fair value of financial instruments		**(631)**	**(1,153)**	**(1,784)**	(400)	(1,491)	(1,891)
		14,578	**(1,153)**	**13,425**	42,551	(1,491)	41,060
Administrative expenses							
Staff costs	8	**(6,215)**	**–**	**(6,215)**	(7,379)	–	(7,379)
Depreciation	10	**(332)**	**–**	**(332)**	(273)	–	(273)
Share-based payment charge	8	**(242)**	**–**	**(242)**	742	–	742
Other administrative expenses		**(5,232)**	**(308)**	**(5,540)**	(2,864)	(166)	(3,030)
		(12,021)	**(308)**	**(12,329)**	(9,774)	(166)	(9,940)
Operating profit/(loss)	7	**2,557**	**(1,461)**	**1,096**	32,777	(1,657)	31,120
Finance costs		**(336)**	**–**	**(336)**	(62)	–	(62)
Finance income from convertible loans		**2,222**	**–**	**2,222**	–	–	–
Other finance income and interest receivable		**4,101**	**–**	**4,101**	3,218	–	3,218
Profit/(Loss) before taxation		**8,544**	**(1,461)**	**7,083**	35,933	(1,657)	34,276
Taxation	9	**–**	**–**	**–**	–	–	–
Deferred taxation	9	**–**	**–**	**–**	–	–	–
Profit/(Loss) and total comprehensive income/ (loss) for the year attributable to the shareholders		**8,544**	**(1,461)**	**7,083**	35,933	(1,657)	34,276

* LAB282 and Lab10x relates to translational funding (and related costs) (see notes 15 and 16).

Statement of financial position
As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**4,291**	875
Right-of-use assets	11	**15,764**	-
Equity investments	12	**290,640**	228,945
Equity Rights[(iii)]	13	**16,638**	20,363
Loans and advances	14	**872**	857
Lab282 investment fund	15	**5,569**	6,990
Lab10x investment fund	16	**515**	-
UCSF investment fund	17	**5,000**	-
Total non-current assets		**339,289**	258,030
Current assets			
Trade and other receivables	18	**6,146**	1,773
Debt instruments		**10,481**	541
Deposits		**215,619**	237,449
Cash and cash equivalents		**173,692**	217,236
Total current assets		**405,938**	456,999
Total assets		**745,227**	715,029
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	**6,083**	6,049
Share premium account[(i)]		**654,085**	650,519
Employees benefit trust	22	**(6,121)**	(6,121)
Retained earnings[(ii)]		**63,578**	56,838
Total equity attributable to equity holders		**717,625**	707,285
Current liabilities			
Trade and other payables	19	**3,944**	2,815
Lease liability	11	**1,138**	-
		5,082	2,815
Non-current liabilities			
Provisions for liabilities and charges	20	**7,008**	4,929
Lease liability	11	**15,512**	-
		22,520	4,929
Total liabilities		**27,602**	7,744
Total equity and liabilities		**745,227**	715,029

(i) Share premium – Amount subscribed for share capital in excess of nominal value, net of directly attributable issue costs.
(ii) *Retained earnings – Cumulative net gains and losses recognised in the consolidated statement of comprehensive income net of associated share-based payments' credits.*
(iii) Equity Rights value – Being the valuation of equity granted by the University of Oxford in its spin-outs, as consideration for its equity holding in OSI plc.

Registered number: 9093331

The financial statements on pages 42 to 59 were approved by the Board of Directors and authorised for issue on 23 September 2020 and were signed on its behalf by:

Jim Wilkinson
Interim Chief Executive Officer
23 September 2020

Statement of cash flows
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Operating activities			
Profit for the financial year		**7,083**	34,276
Change in fair value of equity investments		**(11,810)**	(41,850)
Change in fair value of financial instruments		**631**	400
Gain on disposal of equity investments		**(2,067)**	–
Depreciation	10	**332**	273
LAB282 fair value movement		**1,421**	1,657
Lab10x fair value movement		**41**	–
Finance income		**(4,101)**	(3,218)
Finance income from convertible loans		**(2,222)**	–
Finance expense		**336**	62
Share-based payment charge		**242**	(742)
Amortisation of right-of-use asset		**681**	–
Long-term bonus plan charge		**2,054**	4,929
Changes in working capital			
(Increase)/decrease in debtors		**(1,872)**	(517)
Increase/(decrease) in creditors		**883**	979
Net cash inflow/(outflow) from operating activities		**(8,368)**	(3,751)
Investing activities			
Movement in deposits		**21,830**	(3,851)
Purchase of UCSF investment		**(5,000)**	–
Repayment of debt instruments		**120**	–
Investment in Lab10x		**(556)**	–
Proceeds from sale of equity investment		**3,460**	–
Loans advanced		**(15)**	–
Payments to acquire tangible fixed assets	10	**(3,716)**	(661)
Purchase of equity investments		**(46,658)**	(54,740)
Purchase of debt investments		**(11,585)**	(691)
Finance income		**3,825**	3,250
Net cash inflow/(outflow) from investing activities		**(38,295)**	(56,693)
Cash flows from financing activities			
Issue of share capital		**3,600**	7,000
Repayments of lease liability		**(339)**	–
Finance costs		**(142)**	(62)
Net cash from financing activities		**3,119**	6,938
Net increase in cash		**(43,544)**	(53,506)
Cash and cash equivalents at the beginning of the year		**217,236**	270,742
Cash and cash equivalents at the end of the year		**173,692**	217,236

Statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Share premium[i] £'000	Employees benefit trust £'000	Retained earnings[ii] £'000	Total £'000
At 1 January 2018	5,990	643,578	(6,121)	22,562	666,009
Comprehensive income	–	–	–	34,276	34,276
Issue of equity	59	6,941	–	–	7,000
At 31 December 2018	6,049	650,519	(6,121)	56,838	707,285
At 1 January 2019	**6,049**	**650,519**	**(6,121)**	**56,838**	**707,285**
Impact of change in IFRS 16 accounting policy	**–**	**–**	**–**	**(343)**	**(343)**
Adjusted balance at 1 January 2019	**6,049**	**650,519**	**(6,121)**	**56,495**	**706,942**
Comprehensive income	**–**	**–**	**–**	**7,083**	**7,083**
Issue of equity	**34**	**3,566**	**–**	**–**	**3,600**
At 31 December 2019	**6,083**	**654,085**	**(6,121)**	**63,578**	**717,625**

The Company incurred £nil (2018: £nil) of costs directly attributable to the issue of equity. The costs are netted off the capital raised.

(i) Share premium – Amount subscribed for share capital in excess of nominal value, net of directly attributable issue costs.
(ii) Retained earnings – Cumulative net gains and losses recognised in the consolidated statement of comprehensive income net of associated share-based payments' credits.

Notes to the financial statements

1. Accounting policies

Basis of preparation

The Annual Report and Accounts of Oxford Sciences Innovation plc ('OSI') are for the year ended 31 December 2019. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, with the exception of IFRS 16. These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively 'IFRS') issued by the International Accounting Standards Board ('IASB') as adopted by the European Union ('adopted IFRSs').

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in the most appropriate selection of the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Going concern

The Company currently has substantial cash reserves to meet working capital and investment requirements. As at 31 December 2020, the Company had cash balances of £389m, and, at 31 July 2020, the Company had cash balances of £317m. Accordingly, the Company has adopted the going concern basis in preparing these financial statements.

The Company continues to manage the impact of Covid-19 on its business. The main risk to the Company from Covid-19 is the long-term economic instability which could negatively impact the funding environment for our portfolio companies; the Board continues to monitor and assess this.

The Company continues to operate at full capacity with all employees working from home, ensuring the continuity of our business without compromising safety.

Change in fair value

Change in fair value of equity represents revaluation gains and losses on the Company's portfolio of investments. Gains on disposal of equity investments represent the difference between the fair value of consideration received and the carrying value at the start of the accounting period on the disposal of equity investments. Changes in fair values of assets do not constitute revenue.

Revenue

Revenue from services and other income.

All revenue from services is generated within the United Kingdom and is stated exclusive of value added tax. Revenue from services and other income is earned from the provision of business support services.

Property, plant and equipment

All property, plant and equipment are shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is attributable to the acquisition of the items. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Office equipment	Over 3 to 10 years
Land and buildings leasehold	Over the useful economic life of the asset or over the lease term, whichever is shorter
Right-of-use assets	Over the useful economic life of the asset or over the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.
Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

Amortised cost

These assets arise principally from the provision of goods and services (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses.

Debt investments

The Company generally issues unsecured debt instruments which are convertible to equity at a future point in time. Such investments contain a fixed discount rate on the future subscription price, the interest. They are carried at amortised cost with interest being recognised as finance income. The debt investments are financial assets assessed for impairment in accordance with IFRS 9. During the year, a provision of £631k (2018: £400k) was made for expected credit losses.

Fair value hierarchy

In accordance with IFRS 13, the Company intends to classify financial assets using a fair value hierarchy that reflects the significance of the inputs used in making the related fair value measurements. The level in the fair value hierarchy, within which a financial asset is classified, is determined on the basis of the lowest level input that is significant to that asset's fair value measurement. The fair value hierarchy has the following levels:

Level 1 – Quoted prices in active markets.

Level 2 – Inputs other than quoted prices that are observable, such as prices from market transactions. These are mainly based on prices determined from recent investments in the last 12 months. When the Company determines the most recent investment is not a market transaction, the last funding round will be used, provided a significant third party has participated, to determine the level. If the Company lead the round with no external market validation of the value, then this is not considered a market transaction and so the fair value will not be adjusted.

Level 3 – One or more inputs that are not based on observable market data.

Equity investments

The fair value of unlisted securities will be established using valuation techniques. These include the use of recent arm's-length transactions, discounted cash flow analysis and earnings multiples. Wherever possible the Company uses valuation techniques which make maximum use of market-based inputs. Accordingly, the valuation methodology expected to be used most commonly by the Company is the 'price of recent investment' contained in the International Private Equity and Venture Capital Valuation Guidelines (the 'IPEVCV 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, which are based entirely on observable market data, will be of greater reliability than those based on assumptions and, accordingly, where there has been any recent investment or a signed term sheet in place, by third parties, the price of that investment will generally provide a basis of the valuation. The length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment.

Given the nature of the Company's investments will be in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment. Where the Company considers that the price of recent investment, unadjusted, is no longer relevant and there are limited or no comparable companies or transactions from which to infer value, the Company carries out an enhanced assessment based on milestone analysis and/or industry and sector analysis. In applying the milestone analysis approach to investments in companies in early or development stages, the Company seeks to determine whether there is an indication of change in fair value based on a consideration of performance against any milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee Company and the overall economic environment.

Where the Company considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment. Wherever possible, this adjustment is based on objective data from the investee Company and the experience and judgement of the Company. However, any adjustment is, by its very nature, subjective. Where a deterioration in value has occurred, the Company reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Company may consider increasing the carrying value of the investment; however, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments given the potential outcome and the costs and risks to achieving that outcome and accordingly caution is applied.

Factors that the Company will consider include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction.

Other valuation techniques
If there is no readily ascertainable value from following the 'price of recent investment' methodology, or there is objective evidence that a deterioration in fair value has occurred since a relevant transaction, the Company will consider alternative methodologies in the IPEVCV guidelines such as discounted cash flows ('DCF') or price-earnings multiples. DCF involves estimating the fair value of a business by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business. Given the difficulty of producing reliable cash flow forecasts for seed, start-up and early-stage companies as described earlier, this methodology is generally used as a confirmatory indicator of the level of any adjustment that may need to be made to the last price of recent investment.

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.

Equity rights
The equity rights' asset represents the present value of the founders' equity of spin-out companies that the Company will receive, at no cost, from the Medical Sciences Division and the Mathematics, Physical Life Sciences Division of the University of Oxford, under the Framework Agreement signed with the University of Oxford in March 2015. OSI has received these rights for the period to March 2030 in return for the University of Oxford receiving a shareholding in OSI. It is considered to be a derivative financial asset and is designated as at fair value through profit and loss. Further details on the treatment of this asset are included in note 13.

Deposits
Deposits comprise longer-term deposits held with financial institutions with an original maturity of greater than three months.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and short-term deposits held with financial institutions with an original maturity of three months or less.

Financial liabilities
With the exception of the liability in respect of cash-settled share-based payments, as discussed below, financial liabilities are composed of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation to their fair value.

Deferred tax
Full provision is made for deferred tax on all temporary differences resulting from the carrying value of an asset or liability and its tax base. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or deferred tax liability settled. Deferred tax assets are recognised to the extent that it is probable that the deferred tax asset will be recovered in the future.

Share-based payments
The Company provides share-based payment arrangements to certain employees.

Cash-settled share options are measured at fair value at the balance sheet date. The Company recognises a liability at the balance sheet date based on these fair values, taking into account the estimated number of options that will ultimately vest and the relative completion of the vesting period. Changes in the value of this liability are recognised in the income statement for the year.

Lab282 and LAB10x fund
The grants made give OSI rights to equity in any resulted future spin-outs and represent financial assets that the Company elects to hold at fair value through profit and loss. However, as the grants are for early-stage research with high levels of uncertainty, the fair value at inception is considered to be nil, resulting in an immediate fair value loss in the statement of comprehensive income.

As the research projects develop, the Company remeasures the certainty of success and recognises fair value changes in the statement of comprehensive income.

Notes to the financial statements continued

1. Accounting policies continued
University Challenge Seed Fund ('UCSF')
The grants made give OSI rights to equity in any resulted future spin-outs and represent financial assets that the Company elects to hold at fair value through profit and loss.

Standards issued but not yet effective
As of the date of authorisation of these financial statements, the following standards were in issue but not yet effective. The Company has not applied these standards in the preparation of the financial statements, and has not adopted any new or amended standards early:

Change in accounting policies
IFRS 16 – Leases
IFRS 16 replaced IAS 17 which significantly changed lessee accounting; there is no longer a distinction between operating and finance leases. Instead, the lessee is required to recognise both a right-of-use ('ROU') asset and lease liability on-balance sheet. There is a recognition exemption permitted for leases with a term of 12 months or less.

The Company applied IFRS 16 on a modified retrospective basis and took advantage of the option not to restate comparative periods. The Company applied the following transition options available under the modified retrospective approach:
- to calculate the right-of-use asset equal to the lease liability, adjusted for prepaid or accrued payments; and
- to apply the recognition exception for leases with a term not exceeding 12 months.

Upon adoption of IFRS 16, the Company applied the transition option which permitted the ROU asset to equal the lease liability, adjusted for prepaid or accrued prepayments. This approach resulted in a lease liability of £8.12m and an ROU asset of £7.78m recognised at 1 January 2019 along with a reserve reduction of £343k.

When measuring lease liabilities, the Company discounted lease payments using the incremental borrowing rate at 1 January 2019. The borrowing rate applied was 2.5%.

Other than indexation there is no variability in future payments.

The nature of all leases are property leases which are used for office space and wet lab space for spin-out companies.

	2018 £'000
Operating lease commitment as at 31 December 2018 as disclosed in the Company financial statements	**8,871**
Opening operating lease commitment understated	**840**
Recognition exemption for short-term leases	**(338)**
Impact of discounting using the Company's borrowing rate	**(1,250)**
Lease liability recognised as at 1 January 2019	**8,123**

2. Financial risk management
As set out in the principal risks and uncertainties section on pages 24 to 27, the Company is exposed, through its normal operations, to a number of financial risks, the most significant of which are market, liquidity and credit risks.

In general, risk management is carried out under policies approved by the Board of Directors.

(a) Market risk
(i) Price risk
The Company is exposed to equity securities price risk as a result of its investments, categorised as at fair value through profit or loss.

The Company mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

The Company holds investments which are not traded on an active market.

(ii) Interest rate risk
As the Company has no significant borrowings, it has only a limited interest rate risk. The primary impact to the Company is the impact on income and operating cash flow as a result of the interest-bearing deposits and cash and cash equivalents held by the Company.

If the interest rate moves by 0.25% the interest income of the Company will move likewise by £1m in the year assuming no more investments are made.

(b) Liquidity risk
The Company seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Accordingly, the Company only invests working capital in instruments issued by reputable counterparties. The Company continually monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements.

(c) Credit risk
The Company's credit risk is primarily attributable to its deposits, cash and cash equivalents. The Company seeks to mitigate its credit risk on cash and cash equivalents by making deposits with highly rated institutions.

3. Significant accounting estimates and judgements
The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have a significant effect on the carrying amounts of the assets and liabilities in the financial statements, are in respect of:

(i) Valuation of unquoted equity investments
The judgements required, in order to determine the appropriate valuation methodology of unquoted equity investments, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply and marketability and other risk discounts.

(ii) Valuation of Equity Rights
The judgements required to determine the valuation of Equity Rights have a significant risk of causing a material adjustment to the carrying amounts of the asset. The judgements include assessing the likelihood and timing of exit methods and proceeds of investments sold, the discount rate and the number of spin-outs invested in per year.

(iii) Cash-settled share-based payments
Determining the fair value of cash-settled share-based payments at the balance sheet date represents a significant accounting estimate. There is inherent judgement in the key inputs into the valuation, such as the projected growth in value of the Company and the discount rate applied.

(iv) Lab282 investment
The judgement required to determine the fair value of Lab282 projects have a significant risk of causing material adjustment to the carrying amounts of assets. The judgements include assessing the certainty of commercialisation of early-stage research.

4. Revenue from services

Revenue represents the invoiced value of services supplied to portfolio companies excluding value added tax. Revenues are accrued in accordance with the right to consideration and there are no material contract assets or liabilities.

5. Operating segments

The Company's operations are wholly within the UK. For management reporting the Company is organised into one operating segment being the commercialisation of intellectual property under the Framework Agreement with the University of Oxford.

6. Auditor's remuneration

Details of the auditor's remuneration are set out below:

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**60**	47
Taxation compliance services	**17**	4
All other taxation services	**213**	134
	290	185

7. Profit from operations

Profit from operations has been arrived at after charging:

	2019 £'000	2018 £'000
Employee costs (see note 8)	**6,457**	6,638
Depreciation of right-of-use assets (see note 11)	**681**	–
Depreciation of tangible assets (see note 10)	**332**	273

8. Employee costs

Employee costs (including Directors) comprise:

	2019 £'000	2018 £'000
Wages and salaries	**3,632**	2,133
Social security costs	**458**	283
Pension costs	**71**	35
Long-term bonus charge	**2,054**	4,929
Share-based payment charge	**242**	(742)
	6,457	6,638

The average monthly number of persons (including the Executive Directors and Non-Executive Directors) employed by the Company during
the year was 33 (2018: 27), 26 (2018: 22) of whom were involved in management and administration activities. Details of the Directors' remuneration can be found in the Directors' Report on pages 38 to 39.

9. Taxation

	2019 £'000	2018 £'000
Current tax:		
Tax at the UK corporation tax rate of 20% (2018: 20%)	**-**	–
Adjustments in respect of prior years	**-**	–
Total current tax	**-**	–
Deferred tax:		
Origination and reversal of temporary differences	**-**	–
Adjustment in respect of prior periods	**-**	–
	-	–
Tax on profit on ordinary activities	**-**	–

Reconciliation of tax charge

	2019 £'000	2018 £'000
Profit/(Loss) on ordinary activities before tax	**6,740**	34,274
Tax on loss on ordinary activities at standard corporation tax rate of 20% (2018: 20%)	**1,281**	6,512
Expenses not deductible for tax purposes	**287**	293
Fair value movement on investments qualifying for SSE	**(2,652)**	7,951
Movement on share-based payments	**46**	(141)
Movement in tax losses arising not recognised	**1,038**	1,287
	-	–

Notes to the financial statements continued

9. Taxation continued

At 31 December 2019, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £1.7m (2018: £3.7m). An analysis is shown below:

	2019		2018	
	Amount £'000	**Deferred £'000**	Amount £'000	Deferred £'000
Unused tax losses	**16,855**	**2,865**	8,904	1,514

At 31 December 2019, deductible temporary differences and unused tax losses, for which a deferred tax asset/(liability) has been recognised, totalled £nil (2018: £nil). An analysis is shown below:

	2019		2018	
	Amount £'000	**Deferred £'000**	Amount £'000	Deferred £'000
Temporary timing differences	**9,191**	**1,562**	5,248	892
Unused tax losses	**(9,191)**	**(1,562)**	(5,248)	(892)
	0	**0**	0	0

10. Fixed assets

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost:			
At 1 January 2018	395	501	896
Additions	619	42	661
At 31 December 2018	**1,014**	**543**	**1,557**
Additions	**3,685**	**63**	**3,748**
Disposals	**(396)**	**–**	**(396)**
At 31 December 2019	**4,303**	**606**	**4,909**
Accumulated depreciation:			
At 1 January 2018	247	162	409
Charge for the year	164	109	273
At 31 December 2018	**411**	**271**	**682**
Charge for the year	**248**	**84**	**332**
Disposals	**(396)**	**–**	**(396)**
Carrying value			
At 31 December 2019	**263**	**355**	**618**
At 31 December 2018	**603**	**272**	**875**
At 31 December 2019	**4,040**	**251**	**4,291**

11.Right-of-use asset: Leases for land and buildings

Right-of-use assets	
Cost:	
At 1 January 2019 on application of IFRS16	7,780
Additions	8,665
At 31 December 2019	**16,445**
Accumulated depreciation:	
Charge for the year	681
At 31 December 2019	**681**
Carrying amount	
At 31 December 2019	**15,764**

Lease liabilities	**2019 £'000**
At 1 January 2019 on application of IFRS16	**8,123**
Additions	**8,665**
Interest	**194**
Lease payments	**(332)**
At 31 December 2019	**16,650**
Current	**1,138**
Non-current	**15,512**

12. Investment portfolio

	Level 2 Equity investments in unquoted spin-out companies £'000	Level 3 Equity investments in unquoted spin-out companies £'000	Total £'000
At 1 January 2018	87,829	39,063	126,892
Investments during the year	60,203	–	60,203
Other transfers between hierarchy levels during the year	(34,093)	34,093	–
Change in fair value in the year	41,850	–	41,850
At 31 December 2018	155,789	73,156	228,945
At 1 January 2019	**155,789**	**74,156**	**228,945**
Investments during the year (including founders share received)	**51,277**	**–**	**51,277**
Disposal during the period	**(1,392)**	**–**	**(1,392)**
Other transfers between hierarchy levels during the year	**(76,293)**	**76,293**	**–**
Change in fair value in the year	**11,810**	**–**	**11,810**
At 31 December 2019	**141,191**	**149,449**	**290,640**

It is the Company's policy to categorise equity investments in unquoted spin-out companies as Level 2 where their valuation is based upon prices determined by recent investments initiated or completed in the last 12 months.

Where fair values are based upon the most recent market transaction, but that transaction occurred more than 12 months prior to the reporting date, the investments are classified as Level 3 in the fair value hierarchy. The fair values of investments categorised as Level 3 are analysed on a monthly basis to determine business factors which may make the most recent investment rate no longer a representation of fair value.

There are no identified unobservable inputs to which the Level 3 fair values would be materially sensitive. This is represented by the fact that if the fair value of all Level 3 investments, totalling 46 investments, were to decrease by 10%, the net assets figure would decrease by £14.9m (2018: £7.4m), with a corresponding increase if the unobservable inputs were to increase by 10%.

All investments made during the year are considered to be Level 2 per note 1 to the accounts, Accounting policies, fair value hierarchy, and are consequently carried at cost.

Transfers between Level 3 and Level 2 occur when an investment which previously had a most recent investment greater than 12 months old raises new funding, resulting in an observable market rate.

Transfers between Level 2 and Level 3 occur when an investment's recent third party led investment becomes more than 12 months old, with the price being deemed unobservable. In the current period, transfers of this nature amounted to £76.3m (2018: £34.1m).

Change in fair value in the year[(i)]

	2019 £'000	2018 £'000
Fair value gains	**11,810**	41,850
	11,810	41,850

(i) Fair value movements include £20.3m (2018: £50.5m) of fair value gains and £8.5m (2018: £9.6m) of fair value losses.

Details of investee companies

	Registered office	**Proportion of nominal value held**	**Country**
Xerion Healthcare Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	36%	UK
Ordinary Shares		40%	
B Shares		100%	
Oxford Flow Limited	Osney Mead, Oxford, OX2 0DP	48%	UK
Oxford Enhanced Medical Limited	The Centre Of Innovation And Enterprise, Oxford University, Begbroke Science Park, Begbroke Hill, Woodstock Road, OX5 1PF	10%	UK
Orbit Discovery Limited	23-31 Great Titchfield Street, Moray House, London, W1W 7PA	39%	UK
Ordinary Shares		28%	
H1 Ordinary Shares		0%	
Bodle Technologies Limited	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG	27%	UK
Oxford Endovascular Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	30%	UK

Notes to the financial statements continued

12. **Investment portfolio** continued

	Registered office	Proportion of nominal value held	Country
Navenio Limited	Ramsey House, 10 St Ebbes Street, Oxford, OX1 1PT	34%	UK
iOx Therapeutics Limited	The Broadgate Tower, 8th Floor 20 Primrose Street, London, EC2A 2EW	5%	UK
Zegami Limited	46 Woodstock Road, Oxford, OX2 6HT	28%	UK
Ordinary Shares		20%	
A Ordinary Shares		0%	
A Preference Shares		90%	
Mind Foundry Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	26%	UK
Ordinary Shares		29%	
Series A Shares		37%	
Diffblue Limited	Ramsey House, 10 St. Ebbes Street, Oxford, OX1 1PT	32%	UK
Ordinary Shares		67%	
A Shares	Schrödinger Building, Heatley Road, Oxford Science Park,	25%	
Vaccitech Limited	Oxford, OX4 4GE	29%	UK
Ordinary Shares		45%	
Series A Shares		30%	
Incentive Shares	Schrödinger Building, Heatley Road, Oxford Science Park,	0%	
Omass Therapeutics Limited	Oxford, OX4 4GE	33%	UK
Ordinary Shares		75%	
Preferred Shares	Medawar Centre, East Building, Robert Robinson Avenue, Oxford,	14%	
Evox Therapeutics Limited	OX4 4GA	45%	UK
Argonaut Therapeutics Limited	Magdalen Centre, 1 Robert Robinson Avenue, The Oxford Science Park, Oxford, OX4 4GA	40%	UK
Oxstem Limited	First Floor, 23 Park End Street, Oxford, OX1 1HU	7%	UK
Oxford Nanoimaging Limited	Linacre House, Jordan Hill Business Park, Banbury Road, Oxford, OX2 8DR	44%	UK
Ordinary Shares		49%	
Series A Shares		36%	
Osler Diagnostics Limited	King Charles House, Park End Street, Oxford, OX1 1JD	33%	UK
OxSight Limited	Sandford Gate, Sandy Lane West, Oxford, OX4 6LB Oxford, OX4 4GP	8%	UK
Mixergy Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	24%	UK
Iota Sciences Limited	Begbroke Science Park Begbroke Hill, Woodstock Road, Yarnton, Oxfordshire, OX5 1PF	44%	UK
Ordinary Shares		61%	
Preferred Shares		100%	
Circadian Therapeutics Limited	Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	82%	UK
DJS Antibodies Limited	Cherwell Innovation Centre, 77 Heyford Park, Upper Heyford, Bicester, Oxfordshire, OX25 5HD	33%	UK
Proxisense Limited	Mill House Liphook Road, Shottermill, Haslemere, Surrey, GU27 3QE	37%	UK
Enzbond Limited	King Charles House, Park End Street, Oxford, OX1 1JD	37%	UK
Metaboards Limited	Chawley Park, Cumnor Hill, Oxford, OX2 9GG	50%	UK
Oxford VR Limited	Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	44%	UK
Ordinary Shares		24%	
A Ordinary Shares	601 The Green House, The Custard Factory, Gibb Street, Birmingham,	24%	
Covatic Limited	B9 4DP	24%	UK
A Ordinary Shares		30%	
Deferred Shares		0%	
B Shares		0%	
Bibliu Limited	Ark Co-Working, 237 Pentonville Road, London, N1 9NJ	30%	UK
Pro-Mapp Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	12%	UK
Ordinary Shares		20%	
Ordinary A Shares	7600 The Quorum, Alec Issigonis Way, Oxford Business Park North,	100%	
Spybiotech Limited	OX4 2JZ	26%	UK

	Registered office	Proportion of nominal value held	Country
Oxford Semantic Technologies Limited	Units 1 & 2, Field View, Baynards Green Business Park, Bicester, OX27 7SG	20%	UK
IntraBio Inc.	PO Box 1039, Charleston, SC 29502	1%	USA
Ordinary Shares		31%	
Ordinary A Shares		100%	
Ultromics Limited	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG	34%	UK
Scenic Biotech B.V	Science Park 406 (4th Floor), 1098 XH, Amsterdam	15%	Netherlands
Oxford Quantum Circuits Limited	Gordon Dadds Corporate Services Limited Aldgate Tower, 2 Leman Street, London, E1 8QN	28%	UK
Ordinary Shares		10%	
A Ordinary Shares		100%	
Preference Shares	Unit 15 Oxford Industrial Park, Mead Road, Yarnton, Oxfordshire,	0%	
OxMet Technologies Limited	OX5 1QU	10%	UK
Ordinary Shares		12%	
Seed Shares		0%	
Seed-2 Shares		75%	
Animal Dynamics Limited	4610/20 Cascade Way, Oxford Business Park South, Oxford, OX4 2SU	27%	UK
Ordinary Shares		39%	
B Ordinary Shares		0%	
Quantum Motion Technologies Limited	Nexus, Discovery Way, Leeds, LS2 3AA	38%	UK
Ordinary Shares		4%	
A Ordinary Shares		0%	
First Light Fusion Limited	Unit 10 Mead Road, Yarnton, Kidlington, Oxfordshire, OX5 1QU	4%	UK
Opsydia Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	41%	UK
MoA Technology Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	35%	UK
Common Shares		11%	
Series Seed Shares		3%	
6degrees.xyz Inc.	415 Collingwood Street, San Francisco, California 94111	8%	USA
Ordinary Shares		7%	
A Ordinary Shares		66%	
Brill Power Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	32%	UK
Ordinary Shares		10%	
A Ordinary Shares		100%	
Theolytics Limited	Bioescalator, Roosevelt Drive, Oxford, OX3 7DQ	18%	UK
Oxford Sustainable Fuels Limited	Centre For Innovation And Enterprise, Begbroke Science Park, Begbroke Hill, Kidlington, OX5 1PF	19%	UK
ODQA Renewable Energy Technologies Limited	85 Tottenham Court Road, 3rd Floor, Office Number 328, London, W1T 4TQ	29%	UK
Ordinary Shares		46%	
B Ordinary Shares		100%	
Pepgen Limited	Bioescalator, Roosevelt Drive, Oxford, OX3 7DQ	48%	UK
Effective Investing Limited	158 Whitecross, Abingdon, OX13 6BT	22%	UK
Connido Limited	Accelerator, 35 Kingsland Road, London, E2 8AA	3%	UK
Common Shares		0%	
Preferred Shares A1		0%	
Preferred Shares A2		0%	
Preferred Shares A3		52%	
Biobeats Group Limited	Unit 4.01 Cargo Works, 1-2 Hatfields, London, SE1 9PG	21%	UK
Refeyn Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	30%	UK
DeepReason.AI Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	11%	UK
Ordinary Shares		58%	
A Ordinary Shares		0%	
Preferred Seed Shares		50%	
1715 Labs Limited	46 Woodstock Road, Oxford, OX2 6HT	49%	UK

Notes to the financial statements continued

12. Investment portfolio continued

	Registered office	Proportion of nominal value held	Country
Hexr Limited	15b St George Mews, London, NW1 8XE	12%	UK
Ordinary Shares		15%	
A Ordinary Shares		0%	
B Ordinary Shares		17%	
C Ordinary Shares		0%	
Caristo Diagnostics Limited	New Barclay House, Botley Road, Oxford, OX2 0HP	14%	UK
PQShield Limited	267 (Prama House) Banbury Road, Summertown, Oxford, OX2 7HT	48%	UK
Oxford HighQ Limited	Centre For Innovation And Enterprise, Begbroke Science Park, Begbroke Hill, Kidlington, OX5 1PF	13%	UK
Edtopia Limited	Westhall Barn, Westhall Hill, Fulbrook, Burford, Oxfordshire, OX18 4BJ	18%	UK
Genomics Plc	King Charles House, Park End Street, Oxford, OX1 1JD	4%	UK
BreatheOx Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	13%	UK
Ni2o Inc	1818 Library Street, Suite 500, Reston, VA 20190	1%	USA
Macrophox Limited	Magdalen Centre, 1 Robert Robinson Avenue, The Oxford Science Park, Oxford, OX4 4GA	66%	UK
Cocotec Limited	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG	33%	UK
Cortex Organics Limited	2 Hinksey Court, Church Way, Oxford, OX2 9SX	10%	UK
Helio Display Materials Limited	The Walbrook Building, 25 Walbrook, London, EC4N 8AF	4%	UK
Oxford Molecular Biosensors Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	11%	UK
Asymmetric Suzuki Reactions Limited	Oxford Technology Management, Magdalen Centre, Oxford Science Park, Oxford, OX4 4GA	16%	UK
Oxford Brain Diagnostic Limited	The Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	13%	UK
Ordinary Shares		19%	
Series A Shares		36%	
MiroBio Limited	Bioescalator Building, Roosevelt Drive, Oxford, OX3 7FZ	31%	UK
Ordinary Shares		16%	
A Ordinary Shares		100%	
Nucleome Therapeautics Limited	Bioescalator Building, Roosevelt Drive, Oxford, OX3 7FZ	24%	UK
Yasa Motors Limited	11-14 Oxford Industrial Park Mead Road, Yarnton, Kidlington, OX5 1QU	12%	UK
Gyreox Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	18%	UK
Machine Discovery Limited	Ignition Law, 23-31, Great Titchfield Street, London, W1W 7PA	13%	UK
Oxford Ionics Limited	Nexus, Discovery Way, Leeds, LS2 3AA	20%	UK
Orca Computing Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	4%	UK
Cristal Health Limited	8 Hollybush Row, Oxford, OX1 1JH	17%	UK

Where the Company holds over 50% of the nominal value of the share capital, there is no difference between the proportion of the nominal value of share capital and the proportion of the voting rights held by the Company. The overall percentage stated is the percentage of equity value held in each investee, due to the relative right of the respective share classes.

As an investment entity, the Company does not deem that it controls investments for which more than 50% of the nominal value of the shares are held.

13. Equity Rights

	2019 £'000	2018 £'000
Fair value of Equity Rights at 1 January	**20,363**	25,689
Founders' Equity received in spin-outs from University of Oxford during the year	**(3,725)**	(5,326)
Fair value of Equity Rights at 31 December	**16,638**	20,363

Equity Rights represent the future value of Founders' Equity that will be received by OSI in spin-out companies from the University of Oxford's Science Divisions. OSI has the right to receive 5% of the University's founder's equity shares in any spin-out Company from the University's MPLS and MSD Divisions.

In return for these Rights the University of Oxford has received a non-dilatable equity share in OSI plc. The contract runs until 18 March 2030 but is capable of being extended for two further 15-year periods.

The Directors consider that the key variables which are relevant in determining a fair value for this financial investment are set out below:

	2019	2018
Number of spin-out companies from University of Oxford per annum	**10**	12
Number of years until exit event	**3-10**	3-10
Equity stake acquired by OSI	**17%**	17%
Dilution rates prior to exit as a result of subsequent financing for spin-out companies	**81%**	84%
Proportion of spin-out companies failing	**40%**	40%
Proportion of disposals that exit through an IPO	**25%**	25%
IPO valuations at exit	**£50m**	£50m
Proportion of disposals that exit through a trade sale	**35%**	35%
Disposal valuations through a trade sale	**£48.6m**	£48.6m
Discount rate	**15%**	15%

Notwithstanding the changes made to two of the key variables, through better information being available, the net effect of these did not change the fair value of this asset and there was no impact on the year's trading profit.

These variables result in a fair value of the Equity Rights' asset of £16.6m (2018: £20.3m).

Had there been no revisions made to the assumptions inherent in the model during the year, the valuation as at the 31 December 2019 balance sheet date would be £20.4m (2018: £22m).

14. Loans and advances

	2019 £'000	2018 £'000
Loan to portfolio company[(i)]	**500**	500
Other receivables	**372**	357
	872	857

(i) Secured by a charge over the property held within Oxford Flow Limited, a portfolio company of the Company.

None of the above receivables have been subject to a significant increase in credit risk since initial recognition. Consequently, 12-month expected credit losses, rather than lifetime expected credit losses, have been considered and concluded as immaterial, therefore no expected credit loss provision has been recognised.

Notes to the financial statements continued

15. Lab282 fund

	2019 £'000	2018 £'000
Fair value of projects	**4,929**	–
Cash	**640**	6,990
	5,569	6,990

Lab282 is a contractual arrangement with the University of Oxford and Evotec AG. The committed funds are held to be invested in translational funding in the therapeutics area of the Medical Sciences Division of the University of Oxford.

These funds are retained in a separate bank account that is administered by OSI and contains £0.2m (2018: £2.1m) of additional funding from a third party.

During the year, £6.1m (2018: £1.65m) was invested in translational funding (and other related administration costs) which have been recognised in the profit and loss on the basis that the funded activities are considered to be at an early stage such that the outflows are not considered to represent the investment fair value. During the year, 11 projects have been identified as potential new company candidates, therefore the initial grant has been recognised as the investment fair value, totalling £4.9m.

16. LAB10x fund

	2019 £'000	2018 £'000
Cash	**515**	–
	515	–

LAB10x is a contractual arrangement with the University of Oxford, Sensyne Health plc and Evotec SE. The committed funds are held to be invested in translational funding in accelerating the commercialisation of next-generation digital therapeutics and data-driven drug discovery from clinical artificial intelligence research and digital health innovations at the University of Oxford.

These funds are retained in a separate bank account that is administered by OSI and which contains £1m of additional funding from Sensyne plc and Evotec SE.

During the year, £0.04m of costs were incurred in relation to administration costs which have been recognised in the profit and loss.

17. UCSF

	2019 £'000	2018 £'000
Investment	**5,000**	–
	5,000	–

UCSF is a contractual arrangement with the University of Oxford. The committed funds will be invested into research to the point of comericalisation.

The funds are retained in a separate bank account that is administered by the University of Oxford.

18. Trade and other receivables

Current debtors	2019 £'000	2018 £'000
Trade debtors	**401**	256
Prepayments and accrued income	**3,761**	1,179
Other receivables	**1,984**	338
	6,146	1,773

The Directors consider the carrying amount of trade and other receivables to approximate their fair value. All receivables are interest-free, repayable on demand and unsecured.

Convertible loans made to portfolio companies are convertible to equity at the point of the next funding round. The return, in the form of the recipient's equity instruments, are fixed and so there is no embedded derivative.

Of the trade debtors balance, only £0.1m is overdue and, as such, any expected credit losses are considered immaterial for the purpose of provisioning. None of the convertible loans have been subject to a significant increase in credit risk since initial recognition.

19. Trade and other payables

Current liabilities	2019 £'000	2018 £'000
Trade payables	**618**	460
Social security and other taxation	**53**	6
Other accruals and deferred income	**1,722**	804
Other payables	**1,551**	1,545
	3,944	2,815

Included in other payables is £1.1m (2018: £0.8m), which represents the fair value of the liability in respect of cash-settled share-based payments.

20. Provisions for liabilities and charges

	2019 £'000	2018 £'000
Provisions for liabilities and charges	**7,008**	4,929
	7,008	4,929

Included in the provisions for liabilities and charges is £7m (2018: £4.9m) representing the fair value of the liability in respect of the long-term bonus plan.

Long-term bonus plan payments become payable once investments surpluses have been realised on exit.

21. Share capital

	2019		2018	
Issued and fully paid:	**Number (m)**	**£'000**	Number (m)	£'000
Ordinary Shares of 1p each				
At 1 January	**604.9**	**6,049**	599.0	5,990
Issued	**3.4**	**34**	5.9	59
At 31 December	**608.3**	**6,083**	604.9	6,049

During the year, the Company issued the following Ordinary Shares:

3,000,000 new Ordinary Shares which raised £3.6m (before expenses) at a price of £1.20 per share.

In accordance with the Company Articles, 377,194 Ordinary Shares were issued to the University of Oxford, free of charge, to maintain their 5% equity holding in the Company. As at 31 December 2019, there are 11,553,045 (2018: 11,903,239) special shares that have not been allotted. The special shares are reserved for allocation to the University of Oxford if required in the future, in order to maintain their non-dilutable shareholding.

22. Employee's benefit trust

	2019 £'000	2018 £'000
Balance at the beginning of the year	**6,121**	6,121
Balance at the end of the year	**6,121**	6,121

The Company has a JSOP to provide incentives to Directors and employees. At 31 December 2019, the following Ordinary Shares were held in the JSOP:

- 2,650,000 with an initial participation price of £0.05 from the employees, with the trust holding the remainder of the market value of £1 for each share.
- 300,000 with an initial participation price of £0.09 from the employees, with the trust holding the remainder of the market value of £1.20 for each share.
- 3,000,000 with an initial participation price of £0.11 from the employees, with the trust holding the remainder of the market value of £1.20 for each share.

The employees participate in any future capital appreciation of the shares over and above certain hurdle values. The options vest in three trenches (after three, four and five years respectively), after which point the employees can exercise a put option.

Notes to the financial statements continued

23. Categorisation of financial instruments

Financial assets	Designated upon initial recognition £'000	Amortised cost £'000	Total £'000
At 31 December 2019			
Equity investments	**290,640**	**–**	**290,640**
Trade and other receivables	**–**	**16,627**	**16,627**
Deposits	**–**	**215,619**	**215,619**
Cash and cash equivalents	**–**	**173,692**	**173,692**
Total	**290,640**	**405,938**	**696,578**
At 31 December 2018			
Equity investments	228,945	–	228,945
Trade and other receivables	–	1,424	1,424
Deposits	–	237,449	237,449
Cash and cash equivalents	–	217,236	217,236
Total	228,945	456,109	685,054

There are financial liabilities at amortised cost of £3.9m (2018: £7.7m) that comprise trade payables, other payables and accounts.

24. Related party transactions

The Company has had related party transactions during 2019 as follows:

a) Expenses incurred by shareholders on the Company's behalf
These totalled £1.7k (2018: £4k) and were paid by the largest shareholder, Lansdowne Partners LLP. £nil (2018: £1k) was outstanding at 31 December 2019. These were expenses incurred by Lansdowne Partners LLP to the benefit of OSI which were recharged in accordance with the appointment letter of the NED.

b) Expenses incurred by shareholders on the Company's behalf
The Company earns fees from the provision of business support services to portfolio companies in which the Company has an equity stake. The following amounts have been included in respect of these fees.

Statement of comprehensive income	2019 £'000	2018 £'000
Revenue from services	**1,332**	1,101

Statement of financial position	2019 £'000	2018 £'000
Trade receivables	**401**	256

The Company issued convertible loans to portfolio companies in which the Company has an equity stake. The following amounts have been included in respect of these:

Statement of financial position	2019 £'000	2018 £'000
Other receivables	**4,956**	431

c) Key management
Compensation to key management comprises payments to Executive and Non-Executive Directors of the Company. The aggregate gross pay, cash-settled share payments and long-term bonus plan to key management during 2019 was £2.2m (2018: £1.1m) including associated National Insurance costs.

Cash-settled share payments become payable once they have vested subject to certain criteria. As at 31 December 2019, £203k (2018: £162k) was outstanding and included in trade and other payables. No further loans were issued to key management during the year. As at 31 December 2019, £44k (2018: £44k) was outstanding and included in loans and advances.

Long-term bonus plan payments become payable once investment surpluses have been realised on exit. As at 31 December 2019, £932k (2018: £658k) was outstanding and included in trade and other payables.

d) University of Oxford
The Company incurred £9.4m (2018: £2.6m) of fees with the University of Oxford in relation to rent, events and transitional funding during the year, all at arm's length. As at 31 December 2019, £107k (2018: £2k creditor) was owed to the Company (in relation to a credit note) and included in trade receivables.

e) Oxford Flow Limited
The Company charged fees of £20k (2018: £20k) in relation to interest during the year. As at 31 December 2019, £20k (2018: £20k) was outstanding and included in trade debtors.

f) Numis Securities Limited
Numis Securities Limited, a shareholder, charged the Company with fees of £60k (2018: £60k) in relation to corporate development advice during the year, all at arm's length. As at 31 December 2019, £36k (2018: £36k) was outstanding.

g) IP Group plc
The Company provided services in the form of rent to IP Group plc, a shareholder, of £5k (2018: £14k) which was all at arm's length. As at 31 December 2019, £nil (2018: £4k) was outstanding.

25. Post-balance sheet events
The following investments have been completed since 31 December 2019:

- The Company invested £4m in Oxmet Technologies Limited, current shareholding decreased to 9%.
- The Company invested £3m in Omass Therapeutics Limited, current shareholding increased to 30%.
- The Company invested £2.9m in Circadian Therapeutics Limited, current shareholding increased to 91%.
- The Company invested £2.9m in Oxford Flow Limited, shareholding maintained at 48%.
- The Company invested £500k in Navenio Limited in the form of a convertible loan note.
- The Company invested £1.6m in Living Optics Limited.
- The Company invested £250k in Bibliu Limited, current shareholding decreased to 17%.
- The Company invested £5.1m in Animal Dynamics Limited, current shareholding increased to 40%.
- The Company exited 6 Degrees in full.
- The Company invested £150k in Xerion Healthcare Limited, current shareholding increased to 41%.
- The Company invested £900k in PQ Shield Limited, shareholding maintained at 31%.
- The Company invested £1.7m in Quantum Motion Limited, current shareholding increased to 27%.
- The Company exited Biobeat Group Limited in full.
- The Company invested £10m in First Light Fusion Limited, current shareholding increased to 19%.
- The Company invested £8.5m in Base Genomics Limited.
- The Company invested £2m in Refeyn Limited in the form of a convertible loan note.
- The Company invested £200k in ODQA Renewable Energy Techologies Limited in the form of a convertible loan note.
- The Company invested £750k in Orbit Discovery Limited in the form of a convertible loan note.
- The Company invested £5m in Ultromics Limited in the form of a convertible loan note.
- The Company invested £1m in Oxford Ionics Limited, current shareholding increased to 35%.
- The Company invested £2.5m in Oxmet Technologies Limited in the form of a convertible loan note.
- The Company invested £2.5m in Animal Dynamics Limited in the form of a convertible loan note.
- The Company invested £600k in ODQA Renewable Energy Technologies Limited in the form of a convertible loan note.
- The Company invested £400k in Effective Trading Limited in the form of a convertible loan note.
- The Company invested £5m in Spybiotech Limited in the form of a convertible loan note.
- The Company invested £300k in Orca Computing Limited in the form of a convertible loan note.
- The Company invested £4.75m in Vaccitech Limited in the form of a convertible loan note.
- The Company invested £750k in Mind Foundry Limited, current shareholding decreased to 17%.
- The Company invested £2m in Dark Blue Therapeutics Limited.
- The Company invested £250k in Hexr Limited.
- The Company invested £113k in Oxford Endovascular Limited.
- As at 19 March 2020, The Bank of England reduced the interest base rate to 0.1%. The Company's treasury income will significantly reduce in 2020 but has no effect on 2019 results.

Covid-19
The Company continues to manage the impact of Covid-19 on its business.

Employees have been working effectively from home since mid-March 2020. The business has continued to operate effectively.

Some of the portfolio companies' development has slowed, however others have been affected positively as they provided possible vaccines, testing or diagnosis of Covid-19. The impact of the funding environment for our portfolio companies for 2020 is unknown, however it is being monitored closely by the Board.

Company information

Company registration number
9093331

Registered office
46 Woodstock Road
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Directors
Peter Davies (Non-Executive Director)
Jim Wilkinson (Interim Chief Executive Officer and Chief Financial Officer)
Alan John Aubrey (Non-Executive Director)
Christopher Chambers (Non-Executive Chairman)
Bernard Taylor (Non-Executive Director)
Professor Sir John Bell GBE (Non-Executive Director)
Giles Kerr (Non-Executive Director)
Anneqa Khan (Non-Executive Director) (Appointed 13 March 2019)
Andre Crawford-Brunt (Non-Executive Director) (Appointed 14 February 2020)

Company Secretary
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Kate O'Brien

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