CO NO: 09093331

INVESTING
IN THE FUTURE

CAPITAL

SCIENCE

OXFORD SCIENCES
INNOVATION PLC

ANNUAL REPORT
AND ACCOUNTS 2018

OUR VISION

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

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Highlights

STRATEGIC

- Significant Series A investment rounds completed for Oxford Nanoimaging and EvOx.
- Portfolio of companies raised a total of £173m of capital during the year, strengthening the ecosystem.

FINANCIAL AND OPERATIONAL

- Net Assets £707.3m (2017: £666m).
- Profit for the year of £34.3m (2017: £22m).
- Gross cash and deposits of £454.7m (2017: £504.3m).

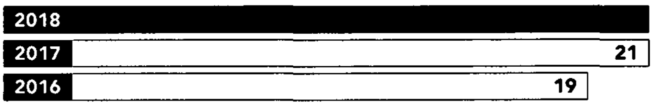
PORTFOLIO

- Overall net increase in value of portfolio, excluding new investment, of £41.9m (2017: £25.9m).
- Fair value of portfolio of £228.9m (2017: £126.9m).
- Capital invested in portfolio of £54.7m (2017: £45.2m).

FINANCIAL

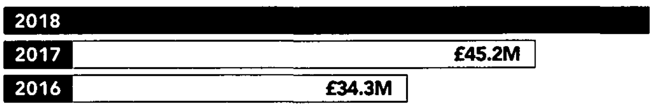
Investments completed:

69



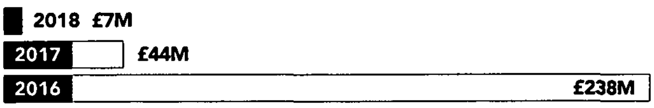
Cash invested:

£138m



Capital raised:

£609m



"We are operating in a virtuous circle whereby the increasing number of spin-outs is attracting capital from existing and new investors, who bring expertise as well as funding."

— Peter Davies / Non-Executive Chairman

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.

WHY OXFORD?

Oxford has been ranked the best research university in the world by the Times Higher Education World University Rankings for 2016, 2017 and 2018. 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, 1500 graduate and 1600 undergraduate students that contribute to extensive and exemplary research, teaching and clinical portfolios.

UNIVERSITY DATA FOR 2017 ACADEMIC YEAR

Research budget in sciences
£475m

Number of spin-outs
19

Number of patents
109

Number of disclosures
389

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

Game-changing IP, not polished business plans

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.

CAPITAL

Funding for the future

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.

PEOPLE

Bringing the world to Oxford

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 portfolio review in action on page 12

INVESTMENTS

Total value of investments to date:

£228.9m

2017 £126.9m

MEDICAL & HEALTH

Number of investments:

33

2017 24

CHEMICAL & INDUSTRIAL

Number of investments:

6

2017 6

DIGITAL TECH & COMPUTATION

Number of investments:

23

2017 13

ENERGY & TRANSPORTATION

Number of investments:

7

2017 4

FOR OXFORD

We're working together in order to give:

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

INVESTMENTS

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

VALUE OF INVESTMENTS BY SECTOR

Medical & Health

£155.3m +119%

Chemical & Industrial

£26.1m +38%

Digital Tech & Computation

£36.9m +8%

Energy & Transportation

£10.6m +261%

SEE STRATEGY IN ACTION – P 16

Medical & Health

Evox Therapeutics
Oxford Nanoimaging
Vaccitech
Osler
Ultromics
SpyBiotech
Iota Sciences
Orbit Discovery
Macrophox
OMass Therapeutics
Genomics
Pepgen
Theolytics
Oxford VR
Xerion Healthcare
Biobeats
Argonaut Therapeutics
Oxtex
Oxford Endovascular
Circadian Therapeutics
Refeyn
Scenic Biotech
MoA
Caristo
Oxford HighQ
iOx Therapeutics
Oxford Enhanced Medical
Oxstem
DJS Antibodies
Human Centric Drug Design
IntraBio
BreatheOx
Cortex Organics

Chemical & Industrial

Oxford Flow
OxMet Technologies
Metaboards
Opsydia
Proxisense
Enzbond

Digital Tech & Computation

Diffblue
Navenio
Bodle Technologies
Bibliotech
Mind Foundry
Zegami
Latent Logic
Quantum Motion
PQ Shield
6 Degrees
Covatic
Oxsight
Util
Oxford Semantic Technologies
1715
Heliochrome
DeepReason.AI
Promapps
Oxford Quantum Circuits
Connido
Edtopia
Ni2o
Cocotec

Energy & Transportation

Animal Dynamics
First Light Fusion
Oxford Sustainable Fuels
Oxhex
Mixergy
ODQA
Brill Power

Our 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

WITH OUR OPERATING MODEL

WORLD-LEADING SCIENCE

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

SHAREHOLDERS

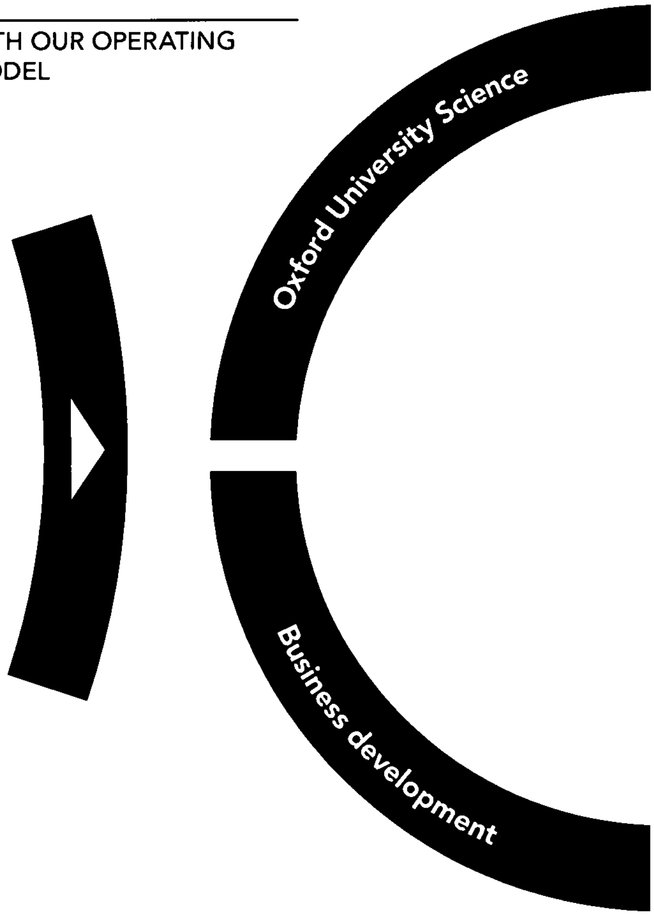
OSI is guided by some of the world's leading individuals and organisations, all with deep commercial experience. Our shareholders are diverse in background and brought together by a commitment to building innovative science and technology companies.

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.

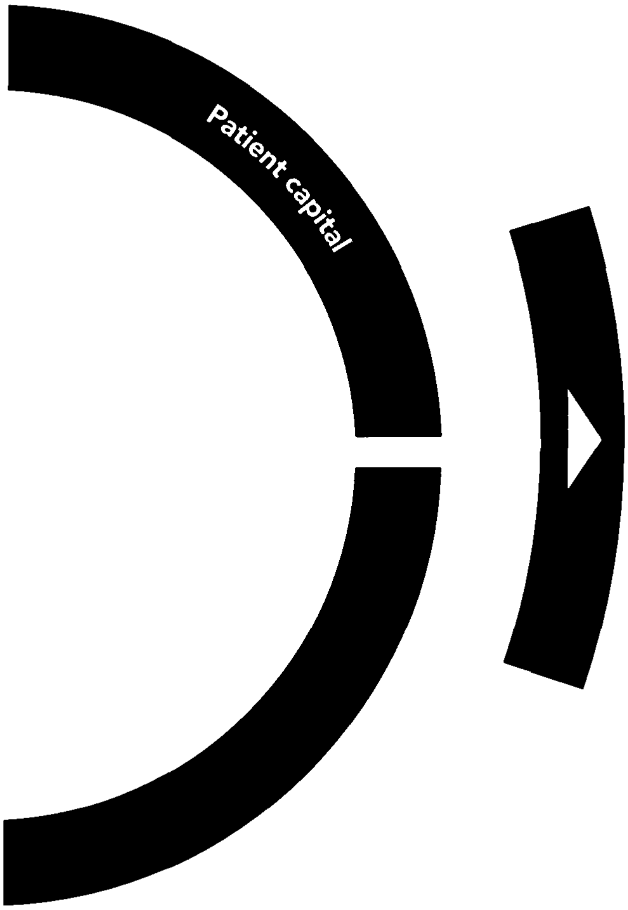
ECOSYSTEM

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.



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 in excess of £500m, 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.

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.



TO PROVIDE VALUE

INVESTMENT PORTFOLIO

Since OSI began operations in June 2015, we've invested a total of £138m cash in 69 investments.

Portfolio value

£228.9m

BOARD AND EMPLOYEES

To support OSI's business model, we have 25 employees, who are guided by an experienced Board who dedicate considerable time to developing the business.

Employees

25

INVESTORS

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

Total cash raised

£609m

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.*

Business development
Beyond building a discovery pipeline, the OSI team sit on 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.

Chairman's Report

We look back on a year of significant progress, leading on 6 new spin-outs and completing 2 significant later investment rounds, in addition to the portfolio companies attracting investment from specialist companies and venture capitalists.

"It gives me great pleasure to report on another successful year for OSI. Having added 19 spin-outs during 2018, we now have 69 companies in our portfolio."

In many cases OSI is not the lead investor and indeed may have not actually made a cash investment. Under the Framework Agreement with the University, OSI receive a founding share in every spin-out from the science departments whether a cash investment is made or not. We have concentrated our resources, both financial and time, on 33 spin-outs which we have identified as having the best chance of success. In addition, we are co-lead investors on another 9 investments.
We provided £43.4 million of capital to existing portfolio companies and projects, and also completed 22 funding rounds, mostly Series A, the largest of which were a £35 million investment in Evox and £18.2 million into Oxford Nanoimaging. These have both attracted funding from third parties, as well as from OSI.
These companies are among our earlier investments that we spun out in 2015 or early 2016, and have now reached a scale where they are raising upwards of £5 million; Figure 1 lists the significant funding rounds completed during the year.

The fair value of our portfolio is £228.9 million, up from £126.9 million at the end of the last financial year. We have net assets of £707 million (2017: £666 million), and gross cash and deposits of £454.7 million (2017: £504.3 million).

OSI's model brings together 3 critical components of science, capital and people to enable the commercialisation of cutting edge research from all 29 of the science faculties of Oxford University. We have made pleasing progress on all of these fronts, outlined in more detail below.

World-class science
Since OSI was established in 2015 we have enjoyed a close, symbiotic relationship with Oxford University as the university's preferred commercialisation partner. Under the Framework Agreement that runs until 2030 (with the option to be extended to 2060), the University has a significant, non-dilutable share in OSI. In return, OSI shares with the university an equal and automatic founder's stake in all qualifying spin-outs, whether or not we have invested in that business.

The Times Higher Education World University Rankings placed Oxford as the leading university in the world for research for the third year running. However, in common with other UK universities, it has historically not translated this research into commercial success at the expected rate. This is in marked contrast to US peers such as MIT, Harvard and Stanford, where the concept of investing in university spin-outs and the associated networks is much more developed than in the UK. Oxford University science faculty academics issue 400 disclosures per year, of which around 100 are patented. Of those, prior to OSI's inception, an average of only just over 4 ended up in spin-out companies per year, but over the last 3 years, our expertise and capital have increased the rate of spin-outs 4-fold. Since OSI's involvement, companies are also spinning out a lot more quickly, taking an average of months rather than years as was the case before.

To complement our other investments, in February 2017, we established LAB282 to address the lack of funding to help translate basic research in disease-related biological pathways into drug discovery programmes. Focused on translational funding, LAB282 seeks to stimulate the formation of new companies to develop ground-breaking therapies and ultimately to benefit patients. Rather than PhD students leaving the University before promising IP has the opportunity to be developed, we provide funding so that their project can be commercialised. Through LAB282 we have invested £5 million in 17 projects to date. As well as the funding and other support from OSI, projects benefit from the expertise of partners such as contract research laboratory group Evotec and larger pharmaceutical groups. We anticipate a strong pipeline of future projects.

Investors with expertise
Since inception we have built a portfolio of 69 investments, investing £138 million cash. They have come from over half of the 29 science faculties covering a wide range of sectors from engineering, to medical devices, therapeutics and zoology. This diversity is a strength but also poses the issue of how to adequately support their growth both

FIGURE 1: FUNDING ROUNDS COMPLETED IN 2018

Q1

Ultromics

£10.7m

Oxford Flow

£6.1m

Q2

Oxford Nanoimaging

£18.2m

OMass Technologies

£5m

Orbit Discovery

£5.25m

Q3

Evox Therapeutics

£35.5m

Animal Dynamics

£6m

Oxford VR

£3.1m

Q4

OxMet

£6m

The fair value of our portfolio is £228.9 million, up from £126.9 million at the end of the last financial year.

financially but also commercially with a suitable level of expertise. We have been particularly pleased to have begun to attract this expertise through having validating investors investing directly into the portfolio companies bringing their expertise to bear. The roster of investors in the portfolio companies includes GV, Goldman Sachs, West Coast Venture capital firm Redmile, Vertex Pharmaceuticals, F-Prime Capital Partners, Foresite Capital, Syncona, GT Healthcare Capital Partners and Sequoia Capital China. Many of these had not previously invested in university spin-outs.

A number of our shareholders have invested as a means to access IP, and OSI gives them a window into the University in a way that simplifies commercial access to academic ideas. Our agreement with Oxford University means that we automatically hold a stake in any spin-out from the science departments. This means there is little risk of investors missing out on any spin-out from the University science departments. OSI shareholders are amongst the largest most successful global companies and individuals. They typically visit Oxford several times a year and provide a great deal of support to OSI and our portfolio companies, from assessing the science, honing the strategy, attracting the right management and opening doors around the world for sales.

We are operating in a virtuous circle whereby the increasing number of spin-outs is attracting capital from existing and new investors, who bring expertise as well as funding which we expect will accelerate the development time frame for a firm. We do not operate like a typical venture capital fund: we help fund ideas before they become companies, investing from pre-seed stage right through to IPO or exit. Our Investment Principals work with academics to craft what the spin-out could look like, and how to turn a patent into a business. They will then help develop the business by building management teams and developing the product through to revenue. This then makes them attractive to third party funders who can bring

"We have net assets of £707 million (2017: £666 million), and gross cash and deposits of £454.7 million (2017: £504.3 million)."

sector expertise and additional funding. OSI holds a stake of between 20% and 40% of the investments where we are leading, allowing plenty of room for other expert funders. Our investors may also choose to invest directly in portfolio companies in later funding rounds, so access to capital should be more straightforward than historically was the case for promising portfolio companies.

Talented people
High calibre Boards and management teams are crucial to the success of spin-out businesses, and we are pleased to have attracted world-class executive and non-executive talent to Oxford during the year. In recognition of the increasing scale and maturity of our portfolio, we recruited a Head of Talent, to put in place a more systematic approach to attracting experienced commercial people to our portfolio companies. This role complements the functional expertise we already have within OSI in legal, finance and network intelligence.

Mutually reinforcing ecosystem
Our ultimate aim is to stimulate the development of an ecosystem, where there are several specialist funds spinning research out into companies and building them into world-class operations which can then put research money back into the University. Where there are ultimately high value exits, the University can benefit from its shareholding in each company. High quality managers and entrepreneurs will be drawn to the area by the attractive opportunities and the ability to potentially look after several companies in one location. Everyone in the ecosystem benefits, and a virtuous circle develops.

It is encouraging to see new funds and investors attracted to Oxford by the growth in the number of high quality spin-outs. As well as providing new sources of capital and expertise to companies which increase their prospects, it is a means for investors to share risk as well as upside potential.

Market context
All of the factors that drive the success of OSI – availability of capital, scientific ideas and quality talent to manage spin-outs – are thriving, but it would be remiss not to mention the potential impact of the UK's exit from the European Union, as well as other geopolitical influences in Europe and beyond, that may influence investor sentiment.

Although this has been a period of considerable political volatility and uncertainty, this is somewhat mitigated by the diversity of OSI's shareholder base, in terms of the number of investors, their nature (funds of different types as well as corporates) and their countries of origin. While, at a macro level, investor confidence has not been immune to events around the world, the size of investments provided by our shareholders relative to their overall scale is small and, as mentioned above, the motivation of many investors to fund spin-outs is to access intellectual property, something which is less sensitive to economic headwinds.

Brexit may be causing uncertainty in the short term, but the nature of scientific research calls for considering a longer-term time horizon. In addition, the UK Government has indicated its commitment to research and development as a vital part of its industrial strategy by putting in place funding initiatives to support innovation and economic growth. Indeed, one of the strategic goals of the UK government's Life Sciences industrial strategy, is to create 4 companies worth more than £20 billion in 10 years.

Government legislation currently under consideration is another area which may impact later funding rounds. The implementation of the proposed reforms contained in the National Security and Investment white paper in their current form, could reduce the number of foreign investors in our portfolio companies. Representations have been made and we watch the legislative process with interest.

Ranked by the Times Higher Education supplement as the world's leading university for research. Oxford University attracted £528 million in research funding in 2018 from governments and charitable organisations such as the Wellcome Trust, up from £475 million in the 2017 academic year. Although Brexit may impact on some sources of funds, as well as the readiness and ability of academics from overseas to work in the UK, we believe the government intends to make up for any shortfalls in funding and ensure that academics have access to visas.

OSI is only able to invest in spin-outs from the University of Oxford and in companies based in the Harwell and Culham Science Parks. This does make the Company vulnerable if the University itself begins to suffer from a lack of research funding or from failing to attract world-leading talent. Given the expected support of the UK Government and the long and successful history of the University there is reason to believe that this will not materially change in the near future.

As our early investments transition from start-up phase to a more mature stage, we are confident that the network we are establishing will provide the human and financial capital resources to support them in their next phase of development.

As our portfolio matures, so will OSI, and we will have to address issues such as how to make sure the largest companies are fully supported, where to focus our resources, and how to adapt our resources to maximise value, with associated questions such as when to exit investments. A physical milestone to mark OSI's next stage of development is our move next year into a new building, with 22,000 square feet of office incubator space to nurture the next wave of spin-outs.

Dave Norwood, one of our founders and first CEO, retired on 31 January 2019. I want to express my deepest thanks to Dave for all his hard work, inspiration and leadership of OSI through its formative years. We are excited to have appointed Charles Conn as CEO who has been tasked with developing OSI through its next stage of development. I am also pleased to have appointed Patrick Pichette, the former CFO of Google, as Chairman Designate. I believe that Patrick and Charles are a world-class management team that will drive the Company forward and give it the best chance of fulfilling its potential. We have also strengthened the Board through the appointment of Aneeqa Khan as an independent Non-Executive Director.

We have made enormous strides since we became operational in summer 2015. With 69 companies, our portfolio is significantly larger than we originally envisaged it would be at this stage. This is testament to the success of our model of bringing together the intellectual property from Oxford University academics, the capital, networks and expertise from our shareholders, and talented Boards and management teams. We greatly appreciate the hard work of all of our partners, investors, academics and colleagues, and look forward to further success in 2019 and beyond in our mission to help academic science change the world.

"Since inception we have built a portfolio of 69 investments, investing over £138 million cash. They have come from over half of the 29 science faculties covering a wide range of sectors from engineering to medical devices, therapeutics and zoology."

— Peter Davies / Chairman

Our 69 Investments to date collectively represent deep innovation across the sciences.

PORTFOLIO REVIEW

As at 31 December 2018 the value of the Company's portfolio had increased by £102m from £126.9m in 2017 to £228.9m in 2018. This reflects a net cash investment of £54.9m, £5.3m of founding shares received in new spin-outs and a £41.3m increase in fair value. The portfolio consists of 69 investments at the end of 2018 compared to 48 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 2018 the Company led the investment in 6 new spin-outs and 2 existing spin-outs. This has brought the number of investments where OSI is the lead or co-lead investor to 33 and 9 respectively, totaling 42. OSI considers itself the lead investor where it has made the largest cash investment in a company. The Company is identifying those companies most likely to be successful and is concentrating its resources on those companies.

The cash investment total of £50.9m was split £9.6m into initial seed investment in 13 companies and a further £45.3m into follow-on funding rounds.

The main fair value increases were £14.3m in Oxford Nanoimaging Limited, £16.9m in Evox, and £19.4m in Osler. A provision of £9.6m was made against the fair value of several of the smaller 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 £825m.

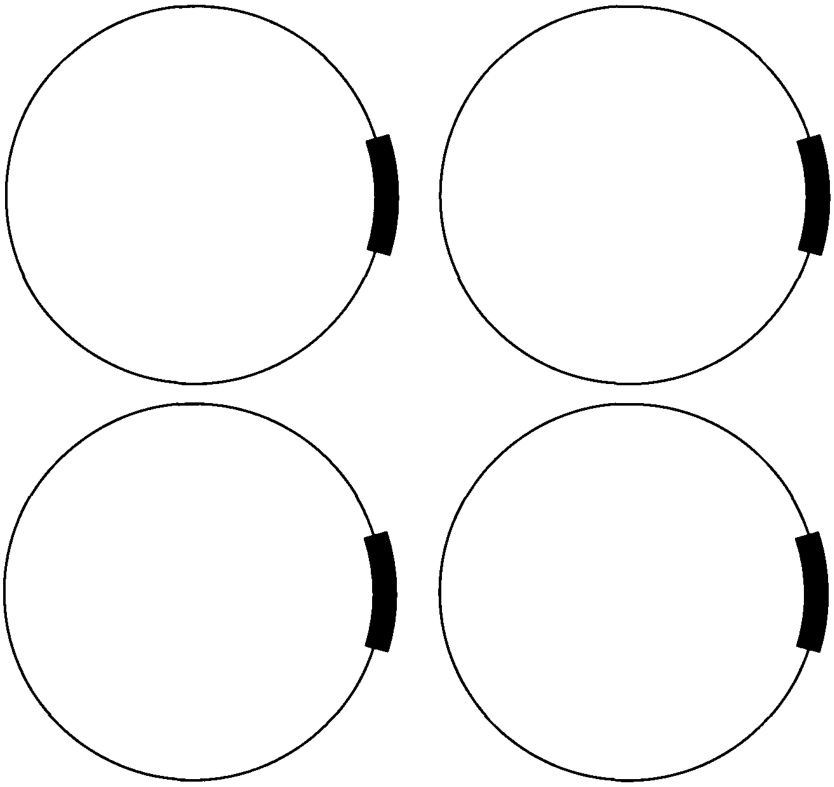
OSI does not manage its portfolio by industry sector, however, the portfolio companies can be split into four broad areas of Medical & Health, Chemical & Industrial, Digital Tech and Energy & Transportation. There are 29 science faculties in Oxford and the spin-outs come from a broad cross-section of these, including Computer Sciences, Engineering, Chemistry, Medical Sciences, Zoology, Maths and Physics.

MEDICAL & HEALTH

Name	Date	Description	Fair value as at 31 December 2018 £'000
Evox Therapeutics	7/04/16	Transformative exosome therapeutics	32,921
Oxford Nanoimaging	5/05/16	Super-resolution microscopy, re-imagined	24,405
Vaccitech	4/03/16	Creating novel vaccines that elicit strong responses from T-cells	23,008
Osler	21/06/16	Decentralised, distributed diagnostics	22,031
Ultromics	19/05/17	World's most accurate cardiovascular diagnostic tools	5,375
SpyBiotech	10/03/17	Bonding antigens to viruses to create new vaccines	5,000
Iota Sciences	9/09/16	*Innovating cell biology by developing fluid-shaping technologies*	4,803
Orbit Discovery	23/11/15	Identifying peptide drugs for a range of chronic diseases	3,855
Macrophox	3/10/18	Engineered macrophages for treatment of solid tumours	3,500
OMass Therapeutics	24/03/16	Native mass spec. to decipher membrane protein interactions	3,450
Genomics	26/08/18	Exploring the human wiring diagram to transform drug discovery	3,000
Other investments (22 investments)			24,001
			155,349

DIGITAL TECH & COMPUTATION

Name	Date	Description	Fair value as at 31 December 2018 £'000
Diffblue	4/03/16	AI for code	15,104
Navenio	4/12/15	Scalable, infrastructure-free indoor-location technology	6,983
Bodle Technologies	4/11/15	Low-power, reusable, reflective colour displays	3,201
Bibliotech	10/02/17	An eTextbook platform for any device and any time	2,341
Other investments (19 investments)			9,252
			36,881



OSI is the lead or co-lead investor in 42 companies.

Portfolio Value

£228.9m

CHEMICAL & INDUSTRIAL

Name	Date	Description	Fair value as at 31 December 2018 £'000
Oxford Flow	25/09/15	Design & manufacture of pressure control equipment	9,208
OxMet Technologies	24/07/17	Bespoke alloys designed, licensed and manufactured	6,975
Metaboards	21/12/16	Ubiquitous wireless power transfer	6,339
Other investments (3 investments)			3,611
			26,133

ENERGY & TRANSPORTATION

Name	Date	Description	Fair value as at 31 December 2018 £'000
Animal Dynamics	1/12/17	Bio-inspired super-efficient systems	5,349
First Light Fusion	25/09/17	Energy generation by inertial confinement fusion	2,102
Other investments (5 investments)			3,131
			10,582

Strategic framework

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

It was identified that 4 factors were needed to make the Company a success. These are:

OBJECTIVES	PROGRESS DURING THE YEAR
Science Each spin-out is dependent on being able to commercially develop leading-edge science from the University of Oxford.	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 3 years in a row.
Financial resources 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.	Additional funds of £7m from 2 new shareholders arrived in the form of Ordinary Shares to bring the total cash raised to £609m. The Company has liquid funds of £454m available for investment.
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.	Investments were accepted from 2 new investors that were identified as bringing additional expertise to our shareholder network. 3 shareholders sold their shareholdings to other existing shareholders during the year.
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. During the year a Head of Talent was recruited. The number and quality of CEOs was also improved with a further 23 portfolio companies having a permanent CEO in place.

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-outs from the University, companies based on the Harwell and Culham Science Parks near Oxford and in companies that could benefit the portfolio.

KPIS

The number and value of investments:

£228.9m

The amount of capital the Company has at its disposal:

£609m

The number of shareholders:

65

The number of investments with a permanent CEO:

58

Featured investments

"Exosomes are the body's natural mechanism to traffic data from one cell to another; across large distances and across physiological barriers such as the blood brain barrier. These are properties the Company intends to harness."

— Tony Fougerolles / Chief Executive Officer, Evox Therapeutics

STRATEGY – SCIENCE

Evox Therapeutics

Transformative exosome therapeutics

EVOX THERAPEUTICS

Evox Therapeutics is an Oxford based biotechnology company developing exosome therapeutics to treat rare diseases.

Exosomes are the body's natural mechanism to traffic data from one cell to another; across large distances and across physiological barriers such as the blood brain barrier. Properties the Company intends to harness.

Evox is a joint spinout from the Wood group at the University of Oxford and the el-Andaloussi group at the Karolinska Institute in Sweden. Over a decade of research, the team has mastered the art of engineering exosomes to carry cargoes to particular destinations within the body. These cargos include nucleic acids and monoclonal antibodies.

The Company has raised over £50m in investment and non-dilutive funding from investors such as Redmile, Cowen, GV and grant funders such as the Gates Foundation and Duchenne UK. It is led by Tony Fougerolles who has previously been at Ablynx, Moderna and Alynylam.

The Company will file an IND for its first programme in the first half of 2020.

Visit **www.evoxtherapeutics.com** for more information

"The Company envisions a future in which developers can exclusively focus on creative, high-value tasks."

— Daniel Kroening / Chief Executive Officer, Diffblue

STRATEGY – FINANCIAL RESOURCES

Diffblue

Founded by the world's leading AI and machine learning experts from the University of Oxford.

DIFFBLUE

Diffblue is changing the way code is developed by automating significant parts of the software development process.

Having received seed investment from OSI in 2016 Diffblue raised a $22 million Series A, led by Goldman Sachs, in 2017.

Daniel Kroening, founder and Professor of Computer Science at the University of Oxford, has 15 years of experience building software tools. He is the author of the CBMC verification framework which includes bluechip users such as Blackberry, Bosch, Siemens, Tata Group, Toyota and many more.

The Company's vision is to automate all traditional coding tasks: bug fixing, test writing, finding and fixing exploits, refactoring code, translating from one language to another, and creating original code to fit specifications.

Its first product, Diffblue Cover automatically writes software tests – a task that otherwise demands 20–30% of a developer's time. The value proposition: automated generation of software tests resulting in better quality code and increased developer productivity. Diffblue Cover is currently being rolled out at Goldman Sachs and a number of other bluechip clients.

Its second product automatically spots security vulnerabilities. Existing offerings in the market produce thousands of false positives which are not actionable in today's high-velocity software release cycle. Moreover, human developers are liable to omit errors when eye-balling code. Diffblue, on the other hand, does not produce false positives which means that all alarms are actionable.

The Company envisions a future in which developers can exclusively focus on creative, high-value tasks.

Visit **www.diffblue.com** for more information

"ONI designs and produces a microscope capable of producing nanoscale video inside living cells."

— Bo Jing / Chief Executive Officer, ONI

Featured investments during 2018

STRATEGY – SCIENCE

Oxford Nanoimaging

Building a data driven microscopy business.

OXFORD NANOIMAGING

ONI is developing the ultimate microscope called the Nanoimager.

Closing in on its 50th customer, ONI designs and produces a microscope capable of producing nanoscale video inside living cells, allowing biologists to zoom in on the precise workings of biological systems.

A fuller understanding of Biology is arguably the last frontier in science, and thanks to Nanoimages, which was developed by its founding CEO Bo Jing during his PhD at Oxford University, biologists can visualise the key components of cells like never before – at a price point comparable to microscopes with much lower resolutions.

In 2018, ONI raised a further $25m and built its Oxford, UK and Redwood City, CA team to over 100 strong. Mark Evans, formerly of Balderton Capital led the financing alongside OSI and Casdin Capital, a specialist New York based life sciences fund. Torsten Reil, the founder of one of Oxford's most successful spin-outs Natural Motion also joined the Board of Directors.

In 2019, ONI will continue to grow its customer base whilst developing new technologies and software products, both of which will generate repeat revenue streams.

Current users include Astra Zeneca, CRUK and EVOX Therapeutics.

Visit **www.oni.bio** for more information

"Navenio has pioneered frictionless, accurate and robust indoor location solutions, requiring no new investment in infrastructure."

— Tim Weil / Chief Executive Officer, Navenio

STRATEGY – FINANCIAL RESOURCES

Navenio

Transforming efficiency through world-class indoor location science.

NAVENIO

Navenio has pioneered frictionless, accurate and robust indoor location solutions, built on award-winning science from the University of Oxford – enabled simply using sensors in existing smartphones. Unlike other RTLS, RFID, Bluetooth and Wi-Fi solutions, the Navenio technology requires no new investment in infrastructure.

Navenio has used this ground-breaking technology to create and deploy a powerful solution for coordinating the movements of healthcare staff & teams based on their location.

This has had a dramatic effect on workflow and productivity in several UK hospitals – delivering rapidly:

- A huge step change in day-to-day tasks carried out: nearly double the amount of work is being completed by the same teams.
- Increased capacity and speed across multiple teams: teams now have over 30% increased capacity.
- Significant improvement in service levels and quality: reducing wait times and increasing patient safety.
- Better experience for staff, teams and patients overall: positively improving patient outcomes.

How? The Navenio workforce efficiency engine prioritises workload in real time based on the principle of 'right person, right place, right time' – removing unnecessary walking time, eliminating double bookings, reducing the need for clinical resources to carry out non-clinical tasks, as well as keeping everyone in sync.

Navenio are also working with large enterprise customers outside health, as well as with consumer technology firms that are looking to improve customer personalisation and ad-targeting through accurate indoor location.

Visit **www.navenio.com** for more information

Finance Review

Statement of comprehensive income
Overall the Company recorded a profit for the year of £34.3m (2017: £22m) and a NAV (Net Asset Value) of £707m (2017: £666m).

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

	2018 £m	2017 £m
Other income	**1,101**	623
Net portfolio gains (unrealised)	**41,850**	25,853
Net financial instruments loss	**(400)**	-
Lab282 translational funding	**(1,657)**	(1,273)
Administrative expenses	**(5,587)**	(4,348)
Long-term bonus accrual	**(4,929)**	-
Share-based payment credit/(charge)	**742**	(1,000)
Net finance income	**3,156**	2,186
Profit for the year	**34,276**	22,041

Other income comprises incubator fees, executive search and selection, rent, legal and administrative support. Other income for the year increased to £1.1m (2017: £0.6m).

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 12.

Administrative expenses rose to £9.9m from £5.3m in 2017. This increase was predominantly due to the introduction of a long-term bonus accrual. The underlying administrative cash cost of the business excluding net finance income and working capital movements was £5.7m (2017: £4.3m).

The share-based option accrual reversed to a negative charge this year due to a change in the fair value of the viability caused by market changes.

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 turning 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 £1.7m (2017: £1.3m) was recognised in the Statement of Comprehensive Income in the year.

Statement of financial position
The Company ended the period with net assets attributable to shareholders of £707m. The most significant contributing factor to the increase in net assets during the period was the additional £7m capital raised and net fair value increases of £41.9m.

At 31 December 2018 the Company held cash and deposits of £454m (2017: £504m) and a portfolio of investments in 69 private technology companies and other investments (2017: 48).
The value of the Company's holdings in portfolio companies was £228.9m at year end (2017: £126.9m).

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 12 to the Company's financial statements, have determined the fair value of the contract at 31 December 2018 to be £20.4m (2017: £25.7m).

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

	2018 £m	2017 £m
Net cash used in operating activities	**(3.9)**	(3.7)
Net cash used in investing activities	**(56.6)**	(152.9)
Issued share capital	**7.0**	43.7
Movement during period	**(53.5)**	(112.9)

In addition to the short-term cash balances held, the Company held £237.4m (2017: £233.6m) on deposits with notice periods of over 3 months.

At 31 December 2018, the Company's cash, including amounts held on deposit greater than 3 months, totalled £454.7m (2016: £504.3m), with the fall predominantly due to a net investment of £54.9m in spin-out companies and follow-on investments. This was partly offset by £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. 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, who through the regular review of risks ensure 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 reviewed by management and the Board at each Board meeting. However, the Company's risk management programme can only provide reasonable, not absolute, assurance that principal risks are managed to an acceptable level.

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

Principal Risks continued

RISK AND DESCRIPTION	IMPACT	MITIGATION
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. OSI has a Head of Talent to help recruit suitable employees
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 case's 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 is building 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. 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 £62k to support the student tri-innovate completioe and two PhDs

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 2018 and 31 December 2017, 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 2018, the Company employed an average of 25 employees and had 6 Non-Executive Directors. There are 17 full-time employees with 6 being female and 11 male during the year. All the Non-Executive Directors are male. 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 33 has been approved by the Board.

Peter Davies
Chairman
11 April 2019

Board of Directors

PETER DAVIES
NON-EXECUTIVE CHAIRMAN

Peter is a senior partner at Lansdowne Partners, where he has worked since 2001, and is a member of the Management Committee and head of the Developed Market's Strategy. Prior to joining Lansdowne Partners, Peter was a Director at Merrill Lynch Investments which he joined in 1993. He attended Magdalen College, Oxford, where he received a first-class honours degree in PPE. He is also a member of the Investment Committee of the Oxford University Endowment Fund and a trustee of Foundation for Future London and Chess in Schools and Communities.

DAVID NORWOOD
CHIEF EXECUTIVE OFFICER (CEO)
(Resigned 31 January 2019)

David has had a long career building a number of science, technology and investment companies; this includes founding IPG plc ('IPG'), one of the UK's leading technology commercialisation businesses. Previously, he was Chief Executive of stockbroker Beeson Gregory after it acquired IndexIT Partnership, a technology advisory boutique he had founded in 1999. He was a founding shareholder of Evolution Group plc, and also co-founder of Ora Capital plc. He has been a founder and/or early Director of many UK technology companies including Oxford Nanopore Technologies Ltd, Proximagen Ltd, Synairgen plc, Ilika Technologies Ltd and many more. He has also acted as a seed investor and/or adviser to Wolfson Microelectronics Ltd, Nanoco Technologies Ltd, Tissue Regenix Group plc and Arc International (now part of Synopsys). He is also currently Non-Executive Chairman of 4D Pharma plc and Genomics plc.

JIM WILKINSON
CHIEF FINANCIAL OFFICER (CFO)

Jim was appointed Chief Financial Officer in 2015. He held similar positions at Lonrho Holdings Limited between 2013 and March 2015, Sportingbet plc from 2008 to 2013, Johnson Service Group plc 2004 to 2007 and Informa Group Plc 1997 to 2004. He trained as an accountant with Deloitte, where he worked for 8 years.

ALAN JOHN AUBREY
NON-EXECUTIVE DIRECTOR AND MEMBER OF THE AUDIT COMMITTEE

Alan is the CEO of IP Group plc, a FTSE 250 company and leading global intellectual property commercialisation company. He is also Non-Executive Chairman of Proactis, an AIM listed software company, and Ceres Power, an AIM listed developer of Fuel Cells. He is also a Non-Executive Director in a number of other leading technology companies, including Oxford Nanopore Technologies. From 2008 to 2014, he was a Non-Executive Director of the Department for Business, Innovation & Skills (BIS). Previously, Alan was a partner in KPMG where he specialised in providing advice to fast-growing technology businesses. He is a fellow of the Institute of Chartered Accountants of England and Wales. Alan holds a BA in Economics and an MBA.

CHRISTOPHER CHAMBERS
NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE REMUNERATION COMMITTEE

Chris began his career at Barclays de Zoete Wedd and became head of Corporate Broking; after its takeover by Credit Suisse in 1997 he was made head of European Equity Capital Markets. Chris was CEO of Man Investments from 2002 until 2005 and has more recently focused on a series of Board appointments in both Switzerland and the UK. Amongst other things, he is Chairman of Lonrho Holdings Limited and a Board member at Berenberg Bank Schweiz.

SIR JOHN BELL GBE FRS
NON-EXECUTIVE DIRECTOR AND MEMBER OF THE REMUNERATION COMMITTEE

Professor Sir John Bell is Regius Professor of Medicine at the University of Oxford, and was Chairman of the Office for the Strategic Coordination of Health Research until 2018. He served as President of the Academy of Medical Sciences from 2006 to 2011. As a Rhodes Scholar (1975–78), Sir John undertook his medical training in the UK and then went on to Stanford University, returning to the UK in 1987. In 1993, he founded the Wellcome Trust Centre for Human Genetics, one of the world's leading centres for complex trait common disease genetics. In 2001, he was appointed Non-Executive Director of Roche Holding AG and in 2008 he joined the Gates Foundation Global Health Advisory Board which he has chaired since 2012. In December 2011, Sir John was appointed one of two UK Life Sciences Champions by the Prime Minister. He sits on the Board of Genome England Limited and chairs its Science Advisory Committee. He was appointed Knight Grand Cross of the Order of the British Empire ('GBE') in the 2015 New Year Honours for services to medicine, medical research and the life science industry.

GILES KERR

NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE AUDIT COMMITTEE

Giles was the Director of Finance for the University and is a fellow of Keble College. He is a Director of Oxford Endowment Management Limited. He currently has external Non-Executive Director roles at Senior plc, Abcam plc, Paypoint plc, Arix Biosciences plc and Adaptimmune Therapeutics Limited. He has previously been Non-Executive Director of Elan Corporation, BTG plc and Victrex plc, and was the CFO of Amersham plc, a FTSE 100 life sciences and diagnostics company.

BERNARD TAYLOR CBE DL

NON-EXECUTIVE DIRECTOR

Bernard is Chairman of Evercore in Europe. Bernard was previously CEO of Evercore in Europe and Deputy Chairman of the firm, and before that he was Chief Executive and founder of Braveheart, which was acquired by Evercore Partners in December 2006. In 1999, Bernard was joint Chief Executive of Global Investment Banking (Corporate Advisory, Securities, Banking, Capital Markets worldwide) and Deputy Chairman and Chief Executive of Robert Fleming & Co. Limited. On the acquisition of Flemings by Chase Manhattan, Bernard became responsible for the investment banking activities of the expanded Chase Manhattan Bank in Europe, the Middle East and Africa as Vice Chairman and a member of the Chase Global Management Committee in New York. Following the acquisition of JPMorgan Chase, Bernard remained a Vice Chairman of JPMorgan Investment Banking until March 2006, when he founded Braveheart.

Bernard was one of the first lay trustees (Council member) of the University of Oxford and was Chairman of the Audit and Scrutiny Committee of the University. He now sits inter alia on the Finance Committee, and on the Boards of the Medical Sciences Division and Maths, Physical and Life Sciences Division. He is a Fellow of the Royal Society of Chemistry, Fellow of St. John's College Oxford, Chairman of the Advisory Board of the Royal Society, Royal Commissioner and Chairman of the Royal Commission for the Exhibition of 1851. He was educated at Cheltenham College and the University of Oxford (Scholar, St. John's College).

CHARLES CONN

CHIEF EXECUTIVE OFFICER (CEO)
(Appointed 1 March 2019)

Charles is a seasoned entrepreneur, business builder and cross-sector leader. Most recently, he led the Rhodes Trust as Chief Executive and Warden of Rhodes House in Oxford, securing the endowment and driving global expansion. Before that he co-ran a private investment partnership, Redjuice Capital, that invested in clean energy and technology starts-ups, and was senior advisor to the Gordon & Betty Moore Foundation in Palo Alto. Charles is an accomplished technology entrepreneur, co-founding Citysearch and as CEO leading the Company through its IPO, merger with Ticketmaster, and acquisitions of Microsoft Sidewalk, Match.com, Evite, and other companies. Earlier, Charles was a Partner with McKinsey & Company, and a leader of its growth strategy and energy practices. He sits on several Company and nonprofit Boards, including Patagonia and Arcadia Foundation, as well as numerous start-up companies. He is a graduate of Harvard Business School, Oxford University, where he was a Rhodes Scholar, and Boston University. His book *Bulletproof Problem Solving: The One Skill That Changes Everything* (with co-author Rob McLean) is forthcoming with John Wiley & Sons in early 2019.

ANEEQA KHAN

NON-EXECUTIVE DIRECTOR
(Appointed 26 March 2019)

Aneeqa is an Oxford University alumna who is the founder & CEO of eporta, the largest online platform making it easy for businesses to manage any interior design project. Prior to starting eporta she was the Strategy Director for Zoopla Property Group where amongst other things she led the process for their $1bn IPO. She started her career in private equity, working at CVC Capital Partners and Terra Firma Capital Partners as an investment executive. Aneeqa read PPE at Wadham College, and is originally from Manchester, UK.

PATRICK PICHETTE

NON-EXECUTIVE DIRECTOR
(Appointed 1 March 2019)

Patrick Pichette is currently General Partner at Inovia Capital, a Canadian Venture Firm headquartered in Montreal, with offices in Montreal, Toronto, San Francisco and London. Prior to Inovia, Patrick Pichette was Google's Chief Financial Officer from August 2008 until May 2015. During his tenure at Google, Mr. Pichette's responsibilities included Finance, but also other corporate functions including People Operations, Real Estate, Employee Services, Google.org and many others.

He has over 25 years of experience in financial operations and management in the Tech and Telecommunications sector, including 7 years at Bell Canada, which he joined in 2001. During his time at Bell Canada, he held various executive positions, including CFO, and President Operations. Prior to joining Bell Canada, Patrick was a partner of McKinsey & Company, where he was a lead member of McKinsey's North America Telecom Practice.

Patrick is currently a Board member of Twitter and the Trudeau Foundation, and serves as an advisor to a number of tech start-ups including Arctoris (UK), Zoona (Africa) and Boosted Board (California). In addition to his professional endeavours, he is also deeply involved in an environmental conservation and research project at Kenuak – a 65,000 acre territory near Montreal Quebec.

Patrick earned a bachelor's degree in business administration from Université du Québec à Montréal. He holds a master's degree in philosophy, politics and economics from Oxford University, where he attended as a scholar. He received the Order of Quebec in 2015. Patrick and his wife Tamar now live in London where he leads Inovia's European office.

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.

Compliance with the UK corporate governance code
There is no mandatory corporate governance regime with which the Company must comply. However the Board's 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 21 to 22.

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 2018, there were 8 Directors on the Board: the Chairman, 2 Executive Directors and 6 Non-Executive Directors. Since that date appointments of a new CEO, and 2 Non-Executive Directors have been made. The biographies of all current Directors are provided on pages 24 and 25. 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 Chief Executive

Peter Davies 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 Directors 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.

The role of the Chief Executive Officer is to lead the delivery of the strategy and the executive management of the Company and its operating business. The 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 6 scheduled Board meetings in 2018 with 5 Board meetings scheduled for 2019 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 are held at the Company's offices in Oxford. Meetings between the Chairman and the Non-Executive Directors, both with and without the presence of the 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.

Not less than 3 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.

Corporate Governance Report continued

The Chairman, Chief Executive Officer and Chief Financial 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 Chief Executive Officer and the Chief Financial 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
Peter Davies Chairman	6
David Norwood Chief Executive Officer	6
Jim Wilkinson Chief Financial Officer	6
Christopher Chambers	6
Bernard Taylor	6
Professor Sir John Bell	4
Giles Kerr	5
Alan Aubrey	5

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 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 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 will include: 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.

In order to ensure that Directors continue to further their understanding of the 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 3 formal Committees, the Remuneration Committee, Audit Committee and the Investment Committee. The composition of the 3 Committees of the Board and the attendance of the members throughout the year is set out in the reports of those Committees.

Remuneration and Audit Committees
A separate report on the role, composition, responsibilities and operation of the Audit Committee is set out on page 30. The Remuneration Committee report is included within the Directors' Report.

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

The Board leads the process for all Executive and Non-Executive appointments and accordingly has not delegated their authority to a Nomination Committee. It is planned to create a Nomination Committee in due course for Board 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.

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 success of the business of the Company. During 2018 the Board undertook thorough recruitment processes to replace the Chief Executive Officer and add an additional 2 Non-Executives.

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 2018.

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 2018.

- **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 21 to 22. 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, Chief Executive Officer and the Chief Financial 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 13 June 2019, 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's 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 15 June 2018 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 2019 AGM, to be held on 13 June 2019, 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 2018 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 2018 can be seen by referring to the summary agenda items below.

- Receipt of the auditors 'Planning Report and Year End Report'.
- Comprehensive Report by the External Auditors.
- Assessment of Annual Financial Statements and Business Report and recommend 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 Risk Register.
- External Auditor's Planning Report.
- Changes to International Financial Reporting Standards.
- Review of Valuation of Investments.
- The requirement for an Internal Audit.
- Noting the Company's Financial Forecasts.

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 £228.9m. 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 £20m. 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 2018 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 2018.

- **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 21 to 22.

- **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 2018. 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 43.

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

Giles Kerr
Chairman of the Audit Committee
11 April 2019

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 26 to 29 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 2018 of £34.3m (2017: profit £22m). The Directors do not recommend the payment of a dividend (2017: £nil).

Directors
The names of Directors who currently hold office or did so during 2018 are as follows:

Executive Director
David Norwood (CEO, Resigned 31 January 2019)
Charles Conn (CEO, Appointed 1 March 2019)
Jim Wilkinson (CFO)

Non-Executive Director
Peter Davies (Chairman)
Aneeqa Khan (Appointed 26 March 2019)
Patrick Pichettte (Appointed 1 March 2019)
Bernard Taylor
Professor Sir John Bell
Giles Kerr
Christopher Chambers
Alan Aubrey

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

The Remuneration Committee has met 2 times during 2018 with all members attending.

Directors' emoluments
The Company has incentivised employees and the Chief Financial Officer (CFO) with a salary and share option package. A long-term bonus plan was introduced during 2017 which pays a percentage of the Company's profits on disposal of an investment.

A discretionary bonus was paid to all employees in 2018 totalling £199k (2017: £183k).

The Company made contributions to pension arrangements of £35k (2017: £7k).

The total emoluments paid to Directors in 2018 was £1m (2017: £620k) and the highest-paid Director received emoluments of £703k (2017: £326k) in the year. The Chief Executive Officer is paid a salary but has chosen not to participate in the bonus scheme nor accept any share options.

During 2017 a long-term bonus plan was implemented to be available to key staff and the CFO. The provision is shown in note 8. The aim of the plan is to incentivise staff to find commercial ideas, create a spin-out and develop the Company whilst also being linked to the amount of investment required. A long-term bonus pool has been created that is 10% of the amount realised from any spin-out after deducting 150% of the amount invested. The bonus pool will be divided amongst the key staff and CFO in a pre-determined ratio at the time of the divestment.

Directors' interests in shares
The Directors who held office during 2018 had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2018 Number of shares	31 December 2017 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 2018 and 5 April 2019.

Substantial shareholders
As at 5 April 2019, the Company had the following shareholders with interests of 3 per cent or more in its Ordinary Share capital.

Shareholders	%
Lansdowne Partners	15.3
Invesco Limited	7.7
IP Group plc	7.7
Woodford Investment Management LLP	7.7
The University of Oxford	5.0
University of Oxford Endowment Fund	4.0
Wellcome Trust	4.0
Sequoia Heritage	4.0
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 21 to 22 and in the Corporate Governance Report on page 29. 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 42 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 15 June 2018 ('the 2018 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 3 April 2018 at any time up to the conclusion of the next AGM of the Company. In addition, at the 2018 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 3 April 2018 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 13 June 2019. The authorities being sought are in accordance with guidance issued by the Investment Association.
A further special resolution passed at the 2018 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 3 April 2018, 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 13 June 2019.

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 2018.

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 13 June 2019.

On behalf of the Board

Peter Davies
Chairman
11 April 2019

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 2018 which comprise Statement of comprehensive income, Statement of financial position, Statement of cash flows and 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 2018 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 twelve 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 Director's 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 at 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
11 April 2019

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 2018

	Note	2018 OSI £'000	2018 LAB282* £'000	2018 Total £'000	2017 OSI £'000	2017 LAB282* £'000	2017 Total £'000
Portfolio returns and revenue							
Revenue from services and other income	4	**1,101**	**-**	**1,101**	*623*	-	*623*
Change in fair value of equity investments	11	**41,850**	**-**	**41,850**	25,853	-	25,853
Change in fair value of financial instruments		**(400)**	**(1,491)**	**(1,891)**	-	(1,273)	(1,273)
		42,551	**(1,491)**	**41,060**	26,476	(1,273)	25,203
Administrative expenses							
Staff costs	8	**(7,379)**	**-**	**(7,379)**	(1,911)	-	(1,911)
Depreciation	10	**(273)**	**-**	**(273)**	(294)	-	(294)
Share-based payment credit/(charge)	8	**742**	**-**	**742**	(1,000)	-	(1,000)
Other administrative expenses		**(2,864)**	**(166)**	**(3,030)**	(2,055)	(88)	(2,143)
		(9,774)	**(166)**	**(9,940)**	(5,260)	(88)	(5,348)
Operating profit/(loss)	7	**32,777**	**(1,657)**	**31,120**	21,216	(1,361)	19,855
Finance costs		**(62)**	**-**	**(62)**	(57)	-	(57)
Finance income and interest receivable		**3,218**	**-**	**3,218**	2,235	8	2,243
Profit/(loss) before taxation		**35,933**	**(1,657)**	**34,276**	23,394	(1,353)	22,041
Taxation	9	**-**	**-**	**-**	-	-	-
Deferred taxation	9	**-**	**-**	**-**	-	-	-
Profit/(loss) and total comprehensive income/(loss) for the year attributable to the shareholders		**35,933**	**(1,657)**	**34,276**	23,394	(1,353)	22,041

* LAB282 relates to translational funding (and related costs) (see note 14).

Statement of financial position
As at 31 December 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**875**	487
Equity investments	11	**228,945**	126,892
Equity rights[iii]	12	**20,363**	25,689
Loans and advances	13	**857**	857
Lab282 funds	14	**6,990**	8,647
Total non-current assets		**258,030**	162,572
Current assets			
Trade and other receivables	15	**2,314**	1,675
Deposits		**237,449**	233,598
Cash and cash equivalents		**217,236**	270,742
Total current assets		**456,999**	506,015
Total assets		**715,029**	668,587
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	18	**6,049**	5,990
Share premium account[i]		**650,519**	643,578
Employees benefit trust[ii]	19	**(6,121)**	(6,121)
Retained earnings		**56,838**	22,562
Total equity attributable to equity holders		**707,285**	666,009
Current liabilities			
Trade and other payables	16	**2,815**	2,578
Non-current liabilities			
Provisions for liabilities and charges	17	**4,929**	–
Total liabilities		**7,744**	2,578
Total equity and liabilities		**715,029**	668,587

(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: 09093331

The financial statements on pages 34 to 53 were approved by the Board of Directors and authorised for issue on 11 April 2019 and were signed on its behalf by:

Jim Wilkinson
Chief Financial Officer

Statement of cash flows
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Operating activities			
Profit for the financial year		**34,276**	22,041
Change in fair value of equity investments		**(41,850)**	(25,853)
Change in fair value of financial instruments		**400**	–
Depreciation	10	**273**	294
LAB282 fair value movement		**1,657**	1,353
Finance income		**(3,218)**	(2,243)
Finance expense		**62**	57
Income tax expense/(credit)		**–**	20
Share-based payment charge		**(742)**	1,000
Long-term bonus plan charge		**4,929**	–
Changes in working capital			
(Increase)/decrease in debtors		**(517)**	(320)
Increase/(decrease) in creditors		**979**	(57)
Net cash inflow/(outflow) from operating activities		**(3,751)**	(3,708)
Investing activities			
Movement in deposits		**(3,851)**	(108,590)
Convertible loans advanced		**(691)**	(387)
Loans advanced		**–**	(500)
Payments to acquire tangible fixed assets	10	**(661)**	(94)
Purchase of investments		**(54,740)**	(45,151)
Finance income		**3,250**	1,838
Net cash inflow/(outflow) from investing activities		**(56,693)**	(152,884)
Cash flows from financing activities			
Issue of share capital		**7,000**	43,729
Finance costs		**(62)**	(57)
Net cash from financing activities		**6,938**	43,672
Net decrease in cash		**(53,506)**	(112,920)
Cash and cash equivalents at the beginning of the year		**270,742**	383,662
Cash and cash equivalents at the end of the year		**217,236**	270,742

Statement of changes in equity
For the year ended 31 December 2018

	Share capital £'000	Share premium(i) £'000	Employees benefit trust £'000	Retained earnings(ii) £'000	Total £'000
At 1 January 2017	5,575	596,305	(2,518)	521	599,883
Comprehensive income	–	–	–	22,041	22,041
Issue of equity	415	43,670	–	–	44,085
JSOP shares held by trust	–	3,603	(3,603)	–	–
At 31 December 2017	5,990	643,578	(6,121)	22,562	666,009
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**

The Company incurred £nil (2017: £11k) 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 2018. 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, unless otherwise stated. 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.

Changes in accounting policies

No new standards, interpretations and amendments that are already effective or are yet to become effective have had, or are expected to have, a material effect on the Company's future financial statements.

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 and is recognised over time as the service is delivered.

Property, plant and equipment

All property, plant and equipment is 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

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.

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 isn't a market transaction, the last funding round will be used, provided a significant third party has participated, to determine the level. If the Company leads 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 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.

When using the earnings multiple methodology, earnings before interest and tax ('EBIT') are generally used, adjusted to a maintainable level. A suitable earnings multiple is derived from an equivalent business or group of businesses, for which the average price-earnings multiple for the relevant sector index can generally be considered a suitable proxy. This multiple is applied to earnings to derive an enterprise value which is then discounted by up to 60 per cent for non-marketability and other risks inherent to businesses in early stages of operation.

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 12.

Deposits
Deposits comprise longer-term deposits held with financial institutions with an original maturity of greater than 3 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 3 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.

Notes to the financial statements continued

1. Accounting policies continued

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.

Leases

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to administrative expenses in the statement of comprehensive income on a straight-line basis over the term of the lease.

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 fund

The grants made give OSI rights to equity in any resulting 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.

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:

IFRS 16 Leases

IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019 subject to EU endorsement. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases.

IFRS 16 is expected to have a significant impact on the amounts recognised in the Company's financial statements. On adoption of IFRS 16 the Company will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation. This will result in a decrease in administration expenses and an increase in depreciation. The standard will also impact a number of statutory measures such as cash generated from operations.

The financial impact of implementing IFRS 16 at 31 December 2018 would be to create and recognise both an asset and liability of £8.9m.

Change in accounting policies

IFRS 9

The Company adopted IFRS 9 Financial Instruments, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, on 1 January 2018, considering the cumulative impact at this date in assessing whether an adjustment to opening reserves is required. The standard also had no financial impact on either the current or comparative periods.

IFRS 15

IFRS 15 Revenue from Contacts with Customers has replaced IAS 18 effective for accounting periods beginning on or after 1 January 2018. The Company has performed an IFRS 15 impact assessment, taking advantage of the practical expedient not to apply IFRS 15 to any contracts completed at 1 January 2018, and has transitioned to the new standard through means of a consideration of the cumulative impact as at 1 January 2018. If IFRS 15 had been applied in the financial statements for the year ended 31 December 2017, the Directors do not consider that there would have been any change to revenue recognised. There is no change in the basis of the Company's recognition of services revenue.

2. Financial risk management

As set out in the principal risks and uncertainties section on pages 21 to 22, 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 per cent the interest income of the Company will move likewise by £1.1m 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 as to whether the equity investments may be impaired and, where there has been a recent investment price on which the investment value may be based, making the judgement as to whether OSI led the investment round such that it cannot be considered an arm's-length transaction for the purpose of establishing fair value.

(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.

4. Revenue from services
Revenue represents the invoiced value of services supplied excluding value added tax.

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:

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**47**	38
Taxation compliance services	**6**	4
All other services	**132**	115
	185	157

7. Profit from operations
Profit/(loss) from operations has been arrived at after charging:

	2018 £'000	2017 £'000
Employee costs (see note 8)	**6,638**	2,911
Operating leases – property	**728**	237
Depreciation of tangible assets	**273**	294

8. Employee costs
Employee costs (including Directors) comprise:

	2018 £'000	2017 £'000
Wages and salaries	**2,133**	1,691
Social security costs	**283**	213
Pension costs	**35**	7
Long-term bonus charge	**4,929**	–
Share-based payment (credit)/charge	**(742)**	1,000
	6,638	2,911

Notes to the financial statements continued

8. Employee costs *continued*
The average monthly number of persons (including the Executive Directors and Non-Executive) employed by the Company during the year was 27 (2017: 23), 22 (2017: 18) of whom were involved in management and administration activities. Details of the Directors' remuneration can be found in the Directors' Report on page 32.

9. Taxation

	2018 £'000	2017 £'000
Current tax:		
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	–	–
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

	2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before tax	**34,274**	22,041
Tax on loss on ordinary activities at standard corporation tax rate of 19% (2017: 19.25%)	**6,512**	4,242
Expenses not deductible for tax purposes	**293**	268
Fair value movement on investments qualifying for SSE	**(7,951)**	(4,763)
Movement on share-based payments	**(141)**	192
Movement in tax losses arising not recognised	**1,287**	61
	–	(30)

At 31 December 2018, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £3.7m (2017: £1.7m). An analysis is shown below:

	2018		2017	
	Amount £'000	**Deferred £'000**	Amount £'000	Deferred £'000
Unused tax losses	**8,904**	**1,514**	499	85

At 31 December 2018, deductible temporary differences and unused tax losses, for which a deferred tax asset/(liability) has been recognised, totalled £nil (2016: £nil). An analysis is shown below:

	2018		2017	
	Amount £'000	**Deferred £'000**	Amount £'000	Deferred £'000
Temporary timing differences	**5,248**	**(892)**	(1,233)	(210)
Unused tax losses	**(5,248)**	**892**	1,233	210

10. Fixed assets

	Leasehold improvements £'000	Office equipment £'000	**Total £'000**
Cost			
At 31 December 2016	369	437	**806**
Additions	26	69	**95**
Disposal	–	(5)	**(5)**
At 31 December 2017	395	501	**896**
Additions	619	42	**661**
At 31 December 2018	1,014	543	**1,557**
Accumulated depreciation			
At 31 December 2016	57	59	**116**
Charge for the year	190	104	**294**
Disposal	–	(1)	**(1)**
At 31 December 2017	247	162	**409**
Charge for the year	164	109	**273**
At 31 December 2018	411	271	**682**
Carrying amount			
At 31 December 2017	148	339	**487**
At 31 December 2018	603	272	**875**

11. 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 2017	47,035	3,362	50,397
Investments during the year	50,642	–	50,642
Other transfers between hierarchy levels during the year	(35,701)	35,701	–
Change in fair value in the year	25,853	–	25,853
At 31 December 2017	87,829	39,063	126,892
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	74,156	228,945

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 30 investments, were to decrease by 10 per cent, the net assets figure would decrease by £7.4m (2017: £3.9m), with a corresponding increase if the unobservable inputs were to increase by 10 per cent.

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 of over 12 months ago raises new funding, resulting in an observable market rate.

Notes to the financial statements continued

11. Investment portfolio continued

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 £34.1m (2017: £35.7m).

Change in fair value in the year

	2018 £'000	2017 £'000
Fair value movement	**41,850**	25,853
	41,850	25,853

Fair value movements include £50.5m (2017: £25.9m) of fair value gains and £9.6m (2017: £0) 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	3 Kings Meadow, 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	9%	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
Navenio Limited	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	34%	UK
iOx Therapeutics Limited	The Broadgate Tower, 8th Floor 20 Primrose Street, London, EC2A 2EW	5%	UK
Zegami Limited	King Charles House, Park End Street, Oxford, OX1 1JD	30%	UK
Mind Foundry Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	18%	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		25%	
Vaccitech Limited	Schrödinger Building, Heatley Road, Oxford Science Park, Oxford, OX4 4GE	29%	UK
Ordinary Shares		45%	
Series A Shares		30%	
Incentive Shares		0%	
Omass Therapeutics Limited	Schrödinger Building, Heatley Road, Oxford Science Park, Oxford, OX4 4GE	37%	UK
Ordinary Shares		75%	
Preferred Shares		14%	
Evox Therapeutics Limited	Medawar Centre, East Building, Robert Robinson Avenue, Oxford, OX4 4GA	45%	UK
Argonaut Therapeutics Limited	Magdalen Centre, 1 Robert Robinson Avenue, The Oxford Science Park, Oxford, OX4 4GA	40%	UK
Oxstem Limited	Midland House West Way, Botley, Oxford, OX2 0PH	7%	UK
Ordinary Shares		49%	
Series A Shares		36%	
Oxford Nanoimaging Limited	Wilkinson House, Jordan Hill Business Park, Banbury Road, Oxford, OX2 8DR	44%	UK
Osler Diagnostics Limited	King Charles House, Park End Street, Oxford, OX1 1JD	37%	UK
OxSight Limited	John Eccles House, Robert Robinson Avenue, Oxford Science Park, Oxford, OX4 4GP	7%	UK
Mixergy Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	24%	UK

	Registered office	Proportion of nominal value held	Country
Iota Sciences Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	44%	UK
Ordinary Shares		61%	
Preferred Shares		100%	
Circadian Therapeutics Limited	John Eccles House, Robert Robinson Avenue, Oxford Science Park, Oxford, OX4 4GP	82%	UK
DJS Antibodies Limited	Cherwell Innovation Centre, 77 Heyford Park, Upper Heyford, Bicester, Oxfordshire, OX25 5HD	32%	UK
Proxisense Limited	Mill House Liphook Road, Shottermill, Haslemere, Surrey, GU27 3QE	33%	UK
Enzbond Limited	King Charles House, Park End Street, Oxford, OX1 1JD	40%	UK
Founders Shares		0%	
Ordinary Shares		35%	
Oxtex Limited	Witney Business And Innovation Centre, Windrush House, Burford Road, Witney, OX29 7DX	32%	UK
Metaboards Limited	Chawley Park, Cumnor Hill, Oxford, OX2 9GG	48%	UK
Oxford VR Limited	King Charles House, Park End Street, Oxford, OX1 1JD	44%	UK
Covatic Limited	601 The Green House, The Custard Factory, Gibb Street, Birmingham, B9 4DP	24%	UK
Bibliotech Education 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		100%	
Spybiotech Limited	7600 The Quorum, Alec Issigonis Way, Oxford Business Park North, OX4 2JZ	26%	UK
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		27%	
Ordinary A Shares		100%	
Ultromics Limited	2 Chawley Park Cumnor Hill, Oxford, OX2 9GG	30%	UK
Scenic Biotech B.V	Science Park 406 (4th Floor), 1098 XH, Amsterdam	15%	Netherlands
Oxford Quantum Circuits Limited	King Charles House, Park End Street, Oxford, OX1 1JD	28%	UK
Ordinary Shares		10%	
A Ordinary Shares		100%	
OxMet Technologies Limited	Centre For Innovation And Enterprise, Begbroke Science Park, Begbroke Hill, Kidlington, OX5 1PF	23%	UK
Ordinary Shares		6%	
Seed Shares		0%	
Seed-2 Shares		75%	
Animal Dynamics Limited	Centre For Innovation And Enterprise, Begbroke Science Park, Begbroke Hill, Kidlington, OX5 1PF	23%	UK
Ordinary Shares		39%	
B Ordinary Shares		0%	
Quantum Motion Technologies Limited	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	38%	UK
Ordinary Shares		5%	
A Ordinary Shares		0%	
First Light Fusion Limited	Unit 10 Mead Road, Yarnton, Kidlington, Oxfordshire, OX5 1QU	5%	UK
Opsydia Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	41%	UK
MoA Technology Limited	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	32%	UK
Common Shares		11%	
Series Seed Shares		3%	
6degrees.xyz Inc.	415 Collingwood Street, San Francisco, California 94111	8%	USA

Notes to the financial statements continued

11. Investment portfolio continued

	Registered office	Proportion of nominal value held	Country
Brill Power Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	7%	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
A Shares		56%	
Ordinary Shares		9%	
Latent Logic Limited	16 Quarry Hollow, Oxford, OX3 8JR	22%	UK
ODQA Renewable Energy Technologies Limited	85 Tottenham Court Road, 3rd Floor, Office Number 328, London, W1T 4TQ	29%	UK
Pepgen Limited	King Charles House, Park End Street, Oxford, OX1 1JD	48%	UK
Effective Investing Limited	158 Whitecross, Abingdon, OX13 6BT	23%	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	3rd Floor 3 Fitzhardinge Street, London, W1H 6EF	21%	UK
Refeyn Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	29%	UK
DeepReason.AI Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	11%	UK
A Ordinary Shares		0%	
Ordinary Shares		58%	
1715 Labs Limited	King Charles House, Park End Street, Oxford, OX1 1JD	48%	UK
Oxhex Limited	18 Finsbury Square, London, EC2A 1AH	13%	UK
Ordinary Shares		5%	
A Ordinary Shares		0%	
B Ordinary Shares		17%	
C Ordinary Shares		0%	
Caristo Diagnostics Limited	Suite 5 Whichford House Parkway Court, John Smith Drive, Oxford Business Park, Oxford, OX4 2JY	14%	UK
PQ Shield Limited	King Charles House, Park End Street, Oxford, OX1 1JD	35%	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	16%	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	5 Workhouse Yard Chapel Hill, Wootton, Woodstock, OX20 1DT	66%	UK
Cocotec Limited	2 Chawley Park Cumnor Hill, Oxford, OX2 9GG	5%	UK
Cortex Organics Limited	2 Hinksey Court, Church Way, Oxford, OX2 9SX	10%	UK
Heliochrome Limited	The Walbrook Building, 25 Walbrook, London, EC4N 8AF	4%	UK

Where the Company holds over 50 per cent 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.

12. Equity rights

	2018 £'000	2017 £'000
Fair value of equity rights at 1 January	**25,689**	31,180
Founders' equity received in spin-outs from University of Oxford during the year	**(5,326)**	(5,491)
Fair value of equity rights at 31 December	**20,363**	25,689

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 50 per cent of the University's founders equity share 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-dilutable equity share in OSI plc. The contract runs until 18 March 2030 but is capable of being extended for 2 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:

	2018	2017
Number of spin-out companies from University of Oxford per annum	**12**	12
Number of years until exit event	**3-10**	3-10
Equity stake acquired by OSI	**17%**	19%
Dilution rates prior to exit as a result of subsequent financing for spin-out companies	**84%**	81%
Proportion of spin-out companies failing	**40%**	30%
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%**	45%
Disposal valuations through a trade sale	**£48.6m**	£34.5m
Discount rate	**15%**	15%

Notwithstanding the changes made to 4 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 fair value of the equity rights' asset of £20.3m (2017: £25.7m).

Had there been no revisions made to the assumptions inherent in the model during the year, the valuation as at the 2018 balance sheet date would be £22m (2017: £32.5m).

13. Loans and advances

	2018 £'000	2017 £'000
Loan to portfolio company[(i)]	**500**	500
Other receivables	**357**	357
	857	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.

14. Lab282 fund

	2018 £'000	2017 £'000
Investment	**6,990**	8,647
	6,990	8,647

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 £2.1m (2017: £2.6m) of additional funding from a third party.

During the year, £1.65m (2017: £1.35m) 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.

15. Trade and other receivables

	2018 £'000	2017 £'000
Trade debtors	**256**	163
Prepayments and accrued income	**1,179**	848
Convertible loans advanced	**541**	387
Other receivables	**338**	277
	2,314	1,675

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

Of the trade debtors balance, only £0.03m 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.

16. Trade and other payables

Current liabilities	2018 £'000	2017 £'000
Trade payables	**460**	369
Social security and other taxation	**6**	–
Other accruals and deferred income	**804**	648
Other payables	**1,545**	1,561
	2,815	2,578

Included in other payables is £0.8m (2017: £1.5m) which represents the fair value of the liability in respect of cash-settled share-based payments (see note 18).

17. Provisions for liabilities and charges

Non-current liabilities	2018 £'000	2017 £'000
Provisons for liabilities and charges	**4,929**	–
	4,929	–

Included in provisions for liabilities and charges is £4.9m which represents 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.

18. Share capital

Issued and fully paid:	2018 Number (m)	2018 £'000	2017 Number	2017 £'000
Ordinary Shares of 1p each				
At 1 January	**599.0**	**5,990**	557.5	5,575
Issued during the year	**5.9**	**59**	41.5	415
At 31 December	**604.9**	**6,049**	599.0	5,990

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

5,833,335 new Ordinary Shares which raised £7m (before expenses) at a price of £1.20 per share which generated a share premium of £6.9m.

In accordance with the Company Articles, 87,719 Ordinary Shares were issued to the University of Oxford, free of charge, to maintain their 5 per cent. As at 31 December 2018, there are 11,930,239 (2017: 12,017,958) 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.

19. Employee's benefit trust

	2018 £'000	2017 £'000
Balance at the beginning of the year	**6,121**	2,518
Value of share capital and premium of shares acquired in the year for the JSOP	**–**	3,960
Acquired in the period – employee contribution on the above shares	**–**	(357)
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 2018, 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 3 trenches (after 3, 4 and 5 years respectively), after which point the employees can exercise a put option.

20. Operating lease arrangement

	2018 £'000	2017 £'000
Payments under operating leases recognised in the statement of comprehensive income for the year	**728**	237

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within 1 year	**1,094**	428
In the 2nd to 5th years inclusive	**3,411**	2,238
After 5 years	**4,366**	3,478

Operating lease payments represent rentals payable by the Company for its office property.

21. Categorisation of financial instruments

Financial assets	Designated upon initial recognition £'000	Loans and receivables £'000	Total £'000
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**
At 31 December 2017			
Equity investments	126,892	–	126,892
Trade and other receivables	–	1,675	1,675
Deposits	–	233,598	233,598
Cash and cash equivalents	–	270,742	270,742
Total	126,892	506,015	632,907

There are financial liabilities at amortised cost of £7.7m (2017: £2.5m) that comprise trade payables, other payables and accounts.

22. Related party transactions

The Company has had related party transactions during 2018 as follows:

a) Expenses incurred by shareholders on the Company's behalf
These totalled £4k (2017: £6k) and were paid by the largest shareholder Lansdowne Partners LLP. £1k (2017: £nil) was outstanding at 31 December 2018. These were expenses incurred by Lansdowne Partners LLP to the benefit of OSI which were recharged in accordance with the appointment letter of the Chairman.

b) Portfolio companies
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	2018 £'000	2017 £'000
Revenue from services	**1,101**	623

Statement of financial position	2018 £'000	2017 £'000
Trade receivables	**256**	163

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	2018 £'000	2017 £'000
Other receivables	**431**	177

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 2018 is £1m (2017: £620k) with associated national insurance costs of £143k (2017: £52k).

Cash-settled share payments become payable once they have vested subject to certain criteria. As at 31 December 2018, £162k (2017: £312k) was outstanding and included in trade and other payables. Loans to key management for the purchase of JSOPs during 2018 is £0 (2017: £0). As at 31 December 2018, £44k (2017: £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 2018, £658k was outstanding and included in trade and other payables

22. Related party transactions continued

d) University of Oxford

The Company incurred £2.6m (2017: £1.8m) 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 2018, £2k (2017: £300k) was outstanding and included in trade payables.

e) Oxford Flow Limited

The Company charged fees of £20k (2017: £16k) in relation to interest during the year. As at 31 December 2018, £20k (2017: £16k) was outstanding and included in trade debtors.

The Company incurred nil (2017: £23k) of fees in relation to legal fees during the year. As at 31 December 2018, nothing was outstanding.

f) Numis Securities Limited

Numis Securities Limited, a shareholder, provided the Company with fees of £60k (2017: £53k) in relation to corporate development advice during the year, all at arm's-length. As at 31 December 2018, £36k was outstanding.

g) IP Group plc

The Company provided services in the form of rent to IP Group plc, a shareholder, of £14k (2017: £14k) which was all at arm's-length. As at 31 December 2018, £4k (2017: £nil) was outstanding.

23. Post-balance sheet events

The following investments have been completed since 31 December 2018:

- The Company invested £7.9m in Osler Diagnostics Limited, decreasing current shareholding to 33%.
- The Company invested £0.9m in Arago Biosciences Limited, increasing current shareholding to 30%.
- The Company invested £0.25m in Enzbold Limited, decreasing current shareholding to 37%.
- The Company invested £0.9m in Animal Dynamics Limited, increasing current shareholding to 27%.
- The Company invested £1.9m in Mind Foundry Limited, increasing current shareholding to 26%.
- The Company invested £0.1m in Effective Investing Limited, increasing current shareholding to 22%.
- The Company invested £0.5m in Oxford Semantic Technologies Limited, maintaining current shareholding of 20%.
- The Company invested £0.25m in Latent Logic Limited, maintaining current shareholding of 22%.
- The Company invested £0.1m in ODQA Renewable Energy Technologies Limited, maintaining current shareholding of 27%.

Company information

Company registration number
09093331

Registered office
King Charles House
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Directors
Peter Davies (Non-Executive Chairman)
Charles Conn (Chief Executive Officer)
Jim Wilkinson (Chief Financial Officer)
Alan John Aubrey (Non-Executive Director)
Christopher Chambers (Non-Executive Director)
Bernard Taylor (Non-Executive Director)
Professor Sir John Bell GBE (Non-Executive Director)
Giles Kerr (Non-Executive Director)
Aneeqa Khan (Non-Executive Director)
Patrick Pichette (Non-Executive Director)

Company Secretary
Pinsent Masons

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