2022 ANNUAL REPORT

OXFORD SCIENCE ENTERPRISES

We found, fund and build for tomorrow's challenges, today

WE ARE OXFORD SCIENCE ENTERPRISES

Oxford Science Enterprises (OSE) was founded in 2015 with a big ambition: to bring Oxford's best ideas to the world and solve our greatest challenges at unprecedented speed.

Eight years ago, OSE was just an idea. Today we are an independent, investment company with net assets of £1.3 billion that creates transformational businesses via our unique partnership with the University of Oxford, the world's #1 research university.

In collaboration with our global network of entrepreneurs, co-investors, and advisers, we go well beyond funding to shape and nurture these complex ideas into successful businesses.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

2022 HIGHLIGHTS

>£600m
RAISED BY PORTFOLIO DURING 2022

24%
NET PORTFOLIO GAINS [1]

+10%
162p
NAV PER SHARE [1]

Sept '15 - Dec '22
28%
PORTFOLIO IRR [1]

TOTAL CASH RAISED [1]

£863m

2022	£250m
2021	N/A
2020	N/A

TOTAL CASH INVESTED [1]

£608m

2022	£161m
2021	£146m
2020	£103m

PORTFOLIO VALUATION [1]

£785m

2022	£785m
2021	£618M
2020	£415M

TOTAL REALISATIONS [1]

£311m

2022	£143m
2021	£20m
2020	£145m

1 To supplement performance assessment, Oxford Science Enterprises uses Alternative Performance Measures (APMs), which are not defined under IFRS. APMs are indicated in this document with an asterisk (*); definitions and further details are provided on page 115.

INVESTMENT

+ OSE successfully completed a £250 million fully subscribed fundraise in July
+ Portfolio companies raised[1] over £600 million of capital during the year, including £161 million of investment from OSE
+ During the year we successfully completed 44 financing rounds and made nine investments in new companies (including five new spin-outs)
+ We saw eight Series B+ financing rounds across the portfolio including Refeyn, Osler, OMass and moa Technology which attracted investment from specialist investors

PORTFOLIO

+ Portfolio valuation increased 27% to £785 million[1], with net portfolio gains[1] of 24%
+ Net positive net fair value gain[1] was £13 million (2021: £34 million) with a strong performance in private assets offsetting weakness in publicly list assets
+ Two major life science exits drove realisations to OSE of £143 million - MiroBio sold to Gilead for $405 million and DJS Antibodies sold to AbbVie for $255 million
+ Successful IPO of PepGen on Nasdaq

FINANCIAL

+ Post-tax profit for the year of £128.4 million (2021: £18 million)
+ Cash and deposits[1] on balance sheet at year end rose to £467 million (2021: £242 million) aided by both realisations and the £250 million fundraise
+ Net assets rose to £1.27 billion (2021: £893 million)

CHAIRMAN'S REVIEW

CHRIS CHAMBERS
Chairman

2022 was a strong year of progress, both in terms of our own portfolio and the broader Oxford ecosystem, despite the challenging economic backdrop. The common thread running across our portfolio continues to be the strength of Oxford's world-leading science. It is this that continues to differentiate us. Our portfolio companies continued to achieve world firsts in 2022 in areas as diverse as: inertial fusion, with First Light Fusion demonstrating fusion using its one-sided projectile approach; post-quantum cryptography, with PQShield taking a leading role in developing new NIST standards to protect our devices from quantum computers; therapeutics, with PepGen making progress towards its goal of transforming the treatment of Duchenne Muscular Dystrophy. It remains abundantly clear that Oxford science has an important role to play in solving some of the world's greatest problems. Our role at OSE is to ensure we equip our companies with the right business plans, supported by the right teams, specialist investors and advisers, to ensure they execute successfully and at pace. Throughout 2022, it has been pleasing to see us make strong progress towards this goal.

Across the year, our portfolio companies have raised over £600 million across 44 financing rounds, including eight Series B+ raises and the successful IPO of PepGen on Nasdaq. We have invested in nine new companies, including five new spin-outs, and we saw two significant disposals to large pharma: MiroBio ($405 million, Gilead) and DJS Antibodies ($255 million plus milestone payments, AbbVie).

We significantly strengthened talent, not just within OSE itself, but also across our broader portfolio. All of this activity continues to attract new specialist investors into the Oxford ecosystem, with a number of new co-investors investing alongside OSE for the first time, including Medicxi, Pfizer Ventures, Johnson and Johnson Innovation (JJDC), Tokyo Edge Capital, Robert Bosch Venture Capital, and Octopus Ventures. We also welcomed new shareholders onto our register during 2022 with the successful completion of our own £250 million fundraise in July. All of this has driven strong financial returns for shareholders with realised gains[2] of £138 million driving a profit after tax of £128 million (2021: £18 million) and a 10% growth of NAV per share[1]. As a result, OSE exited the year with a robust balance sheet well-positioned to continue to support both its existing portfolio and build the next generation of world-changing companies.

REVIEW OF 2022

Despite a testing funding backdrop during 2022, especially in Life Sciences, our portfolio companies continued to attract interest from leading specialist funds, providing further validation to the quality of the IP within our portfolio. Across the year the portfolio raised[3] over £600 million from global investors, including cash invested[1] by OSE of £161 million (see more detail in the Portolio Review on page 16).

This was a significant year for OSE given the number and size of the individual company raises that were successfully completed. As OSE has matured, the portfolio company raises have progressed through to large Series B and Series C raises with a record number completed in 2022. The total amount OSE invested[1] in 2022 of £161 million was a new record. We completed 44 funding rounds during the year, including eight Series B+ rounds. Highlights included OMass' £75.5 million Series B (Northpond, GV); MiroBio's £80 million Series B (Medicxi, Monograph); Refeyn's Series B (Northpond); Osler's $85 million Series C (strategic investor, M&G), and of course PepGen's $108 million IPO on Nasdaq. Seven years on, we now see a significant number of leading specialist investors such as GV, Northpond, Syncona, Optum Ventures, and OrbiMed investing in more than one Oxford company. Over time, we expect this trend to continue as the Oxford ecosystem continues to build and as global funds increasingly recognise the quality of our science spin-outs.

£128m
PROFIT AFTER TAX

> “Our role at OSE is to help equip our companies with the right business plans, supported by the right teams and specialist investors and advisers to ensure they can execute at pace. Throughout 2022 it has been pleasing to see us make strong progress towards this goal.”

A strong, innovative, and growing ecosystem is also increasingly attracting new talent to Oxford. We believe that getting the right talent, advisers, and Boards at an early stage is key to maximise our success and this remains a major focus. During 2022, we played a role in talent appointments that strengthened the Boards and management teams of over 15 of our leading portfolio companies, attracting executives from the UK, Europe, and the US, and this trend has continued in the early part of 2023. Key new talent added to the portfolio over the last 12 months includes Spy Biotech Chair Eddie Gray and CEO Mark Leuchtenberger, Caristo CEO Frank Cheng, Ultromics Chair John Russell, Theolytics CFO Andrew Oakley, ONI CEO Paul Scagnetti and Genomics Chair Simon Dingemans (see more detail in the Sector Review Section on pages 20-25).

Finally, 2022 was also a year of strong financial performance for OSE, aided in part by uplifts on raises at private portfolio companies such as Refeyn, Osler, and OMass, but also of course by the sales of MiroBio and DJS Antibodies. A strong performance in the private portfolio more than offset weakness in publicly listed assets, which were negatively impacted by volatility in the equity markets and challenging market sentiment towards Life Science companies.

The disposal of MiroBio to Gilead for $405 million was announced in August. OSE had a 23% fully diluted stake in MiroBio and the exit represented a Money Multiple (MM)[3] of 5.6x and Internal Rate of Return (IRR)[3] of 150% (see definitions of these metrics in glossary alternative performance measures page 115). The disposal of DJS Antibodies to AbbVie for $255 million plus potential milestone payments was announced in October; OSE had invested c.£2.5 million for its close to 30% fully diluted stake in DJS and, as such, this exit represented a MM of >20x and >97% IRR. While our ultimate ambition remains to build large, world-leading companies, we will continue to always balance risk and reward to ensure we maximise long-term returns for our shareholders.

Across the year, OSE invested[1] £161 million in the portfolio taking total cash invested to date to £608 million. Our portfolio valuation[1] rose to £785 million (2021: £618 million). We saw realisations in the year of £143 million during 2022, taking total realisations[1] since inception to over £311 million. During the year we raised £250 million of additional funds from new and existing shareholders, taking total cash raised[1] to £863 million. These additional funds and the disposals completed during H2 led to year-end cash and deposits[1] of £467 million. Overall, net assets rose by 10% across the year to £1.3 billion and net asset value per share[1] rose to 162p. Portfolio IRR[1] over the seven years from September 2015 to December 2022 remained strong at 28% (see the Portfolio Review on page 16).

1 To supplement performance assessment, Oxford Science Enterprises uses Alternative Performance Measures (APMs), which are not defined under IFRS. APMs are indicated in this document with an asterisk (*); definitions and further details are provided on page 115

2 Oxford Science Enterprises is an investment company and therefore prepares statutory stand-alone company financial statements. The Directors manage the whole Group and portfolio as one therefore, the Strategic Report has been prepared on a pro forma basis. Please refer to pro forma financial statements on pages 112 for an explanation of the pro forma basis

3 Refer to Glossary on page 115 for definitions

CHAIRMAN'S REVIEW

CONTINUED

> "Seven years on, an increasing number of our earliest investments are raising significant Series C and D rounds as they hit key milestones and achieve major inflection points."

BOARD AND CEO SUCCESSION

In October, we announced that Alexis Dormandy would be stepping down from his position as CEO at the end of the year. On behalf of the Board and the team at OSE, I would like to thank Alexis and wish him the very best for the future.

OSE remains a young and rapidly growing business and we need to continue to evolve our leadership to ensure we are best equipped to deliver on the scale of the opportunity that exists here. The leadership of OSE requires multiple different skillsets: strategy, vision, team leadership, fundraising, and ecosystem building on the one side, coupled with deep experience in early-stage science and tech investing on the other. The Board has initiated a new Leadership search and in the meantime, the business will continue to be run day-to-day by our experienced Executive Management team (see page 51), with Rich Laxer (an existing Non Executive Director) chairing the Executive Management team on an interim basis.

KEY PRIORITIES FOR 2023

As we look towards 2023, the CEO succession is a clear priority for the Board, however we also want to ensure we continue the good work started during 2022 in some other key areas, including but not limited to:

IMPROVING OUR VALUE-ADD

We are extremely privileged to be working within Oxford with unique early access to world-leading academics and IP. We must ensure that we continue to earn our right to operate here and are the best investor for our companies, supporting them at all stages of their journey. We have made good progress at building an experienced sector-based investment team with central specialist functions to support our companies across areas including talent, PR, network, legal, and fundraising. However, we are still reasonably early on this journey, and ensuring we support our companies consistently and systematically remains a key priority for 2023.

INTEGRATING SUSTAINABILITY

As a long-term investor, we consider environmental, social, and governance (ESG) issues as fundamental to the success of our companies. We are highly focused on integrating sustainability across our business, our investment process, and our portfolio, and we commit to operating in an inclusive manner. During 2022, we have made good progress implementing our new ESG policy, setting up our own ESG framework for new investments, and improving ESG reporting at OSE. During 2023, we are focused on rolling out these frameworks by further integrating ESG into our investment process with ESG workshops for all new investments, and improving ESG reporting across OSE and increasingly our portfolio (see Sustainability Report on pages 28-41).

DRIVING NEW BUSINESS CREATION

The pipeline of opportunity coming out of Oxford shows no signs of slowing down. During 2022 we have been working hard behind the scenes to ensure our new business-creation machine within OSE is well-oiled, with five new spin-outs during the second half of 2022 and four new investments into Oxford companies. During 2023 we aim to continue to develop the strong pipeline of new spin-outs coming out of Oxford while maintaining the high quality we see today.

LATE-STAGE STRATEGY

Seven years on, while our focus remains the same, to build ground-breaking companies on the back of Oxford's world-leading science, we are clearly at a very different stage of development with an increasing number of our earliest investments raising significant Series C and D rounds on the back of key milestones. Our large ownership stakes mean we have valuable pro-rata rights and are in a strong position to continue to back our winners. However, doing so raises questions on the scale of cash deployment, concentration of portfolio risk, and prioritisation of OSE's resource between early-stage business creation and later-stage scaling. We also need to consider what are the most appropriate financing structures to do all the above while maximising returns for our shareholders.

2023 OUTLOOK

We expect 2023 to be a quieter year in terms of portfolio raises, reflecting both the tougher market environment and the fact that a large proportion of our portfolio remains well-funded post a busy year in 2022. We expect five Series B+ raises during the year including First Light Fusion's significant Series D raise to fund Machine 4. We also continue to strengthen our pipeline and expect to add 10+ new *companies to the portfolio during the year.*

The OSE portfolio continues to hit new scientific and technical milestones and we expect this to continue in 2023. We will see important data readouts during the year from our Life Science companies including PepGen, Vaccitech, and Grey Wolf Therapeutics and results of first in human trials at Amber Therapeutics. Meanwhile we expect FDA approvals for Caristo's CaRi-Heart® and first field trial data for Wild Bioscience. We expect to see continued commerical traction as our companies mature with companies such as Alloyed, Refeyn, and Ultromics now very much in commercial scale-up phase. Overall, we remain confident of a year of continued progress.

2022 has been a strong year of progress both at OSE and across our portfolio. I would like to thank all our own employees, our founders, and also the employees within our broader portfolio for all their hard work, dedication, and commitment. We as a Board are immensely proud and grateful for all that has been achieved and excited about what lies ahead.

8

SERIES B+ ROUNDS DURING 2022

OUR UNIQUE PARTNERSHIP WITH THE UNIVERSITY OF OXFORD

5-10%
AUTOMATIC STAKE IN SCIENCE SPIN-OUTS

ACCESS TO WORLD-LEADING SCIENCE

We launched in 2015 as a joint venture with the University of Oxford with a 15-year framework agreement. As part of this agreement, the University owns a non-dilutive 5% stake in us and in return, we receive half of the University's founding equity in spin-outs emerging from any of the science departments (Mathematics, Physical and Life Sciences and the Medical Sciences). This stake equates to 5-10% of founding equity (pre-money) in every science spin-out. We then use our balance sheet to invest in a subset of these.

This partnership means we get to work with the brightest academic minds tackling the world's toughest challenges and guarantees us unrivalled access to their scientific research. It provides us with access to a diverse pipeline of world-class science and enables us to build significant stakes early in the most exciting technologies, from quantum to fusion, to breakthrough therapeutics and agtech solutions to combat food scarcity.

#1
UNIVERSITY
In the world and #1 for research, seven years running

26
SCIENCE FACULTIES
Across the Medical Sciences, and Mathematical, Physical and Life Sciences Divisions

£866m
RESEARCH FUNDING
Received in 2022

Since 1959
>250
BUSINESSES
The UK's leading university for spin-out creation

THE UNIVERSITY OF OXFORD

The University of Oxford has been ranked the #1 university in the world and #1 for research by the Times Higher Education World University Rankings, seven years running. Renowned for its world-leading research, Oxford academics are responsible for inventing some of the world's most impactful technologies from the lithium-ion battery, to the blood glucose sensor, to a vaccine for COVID-19.

The university employs >1,900 academics, c.4,900 research and support staff, >7,000 postgrads, and is home to 26 science faculties across the Medical Sciences and Mathematical, Physical and Life Sciences Divisions.

MEDICAL SCIENCES DIVISION (MSD)

MSD is an internationally recognised centre of excellence for biomedical and clinical research. The division has been ranked #1 for the last 10 years by the Times Higher Education World University Rankings for clinical, pre-clinical, and health sciences. MSD has an impressive track record of sustained and major contributions to society, providing world-class treatments from penicillin to anti-TNF antibodies, novel antiretrovirals and classes of anti-cancer agents, diagnostic innovation, and disease prevention.

MATHEMATICS, PHYSICAL AND LIFE SCIENCES DIVISION (MPLS)

The MPLS division spans the full spectrum of the mathematical, computational, physical, engineering, and life sciences. It undertakes both fundamental research and cutting-edge applied work to tackle major societal and technological challenges; from developing new energy solutions or improved cancer treatments, to understanding climate change processes and helping to preserve biodiversity. MPLS has played a key role in shaping the modern world with contributions ranging from the lithium-ion battery to the blood glucose sensor and from historical breakthroughs in crystallography to the advent of personal medicine and DNA technology.

OUR PORTFOLIO

Our partnership with Oxford University has led to OSE building a portfolio of over 100 companies

We have investments in 110 companies, spanning three high-growth, high-impact sectors - we adopt a flexible long-term investment approach, recognising the time from ground-breaking research to global markets takes time and resilience.

LIFE SCIENCES

We partner with scientific luminaries to translate novel research into new medicines that improve patients' lives.

32 COMPANIES

£219m VALUE OF INVESTMENTS

SECTOR COMPANIES INCLUDE:

- Alethiomics
- Evox
- Human Centric Drug Discovery
- Nucleome
- Endlyz
- GreyWolf
- Kesmalea
- Scenic Biotech
- OMass
- PepGen
- T-Cypher Bio
- Theolytics
- Oni
- Spybiotech
- Vaccitech

MORE INFORMATION ON PAGES 20-21

DEEP TECH

We focus on the tools and platforms that will fuel the fourth industrial revolution.

58 COMPANIES

£344m VALUE OF INVESTMENTS

SECTOR COMPANIES INCLUDE:

- Alloyed
- Evolito
- FluoRok
- Living Optics
- Moa
- Archangel
- First Light
- Hexr
- Mixergy
- Natcap
- Oxford Flow
- PQ Shield
- Salience
- Util
- Wild bio
- Oxford ionics
- ORCA
- Quantum Motion
- Seloxium
- Odqo

MORE INFORMATION ON PAGES 22-23

ACROSS OUR 3 SECTORS, WE ARE THE FIRST CHEQUE IN AND BACK OUR COMPANIES FOR THE LONG-TERM ALL THE WAY TO EXIT.

Discover the portfolio on our website.

Scan the QR code or visit www.oxfordscienceenterprises.com to find out more

HEALTH TECH

We back pioneers at the intersection of health and technology, powering the rise in the adoption of digital tools.

20
COMPANIES

£222m
VALUE OF INVESTMENTS

SECTOR COMPANIES INCLUDE[1]:

- Amber
- Navenio
- Osler
- Re Feyn
- Caristo
- Genomics
- Ultromics
- Perspectum

1 Osler has moved classifications to best align with the current view on operations, which may change over time.

MORE INFORMATION ON PAGES 24-25

OUR BUSINESS MODEL

HOW, WHAT AND WHEN WE INVEST

We invest in exceptional science start-ups capable of solving some of the world's greatest challenges from the Oxford cluster (Oxford University, the Oxford Science Parks, and Said Business School).

We invest in spin-outs at pre-seed and seed stage, building material positions early at attractive valuations. Although we invest first, unlike many seed investors, we follow our winners for longer, providing follow-on financing all the way to exit. On occasion, if the link to Oxford is strong, we will invest in existing companies. We lead financing rounds and have written cheques as small as £50,000 and as big as £25 million+.

The diagram below demonstrates how we find, invest and build companies with the aim of producing billion-pound outcomes.

->

	1. SCOUTING	2. EXPLORATORY
OPPORTUNITIES PER ANNUM	>200	20+
AVERAGE OSE INVESTMENT		£250k-£500k
TYPICAL OSE STAKE		-
ACTIVITIES		EXPLORATORY BUILDS

OUR UNIQUE PARTNERSHIP WITH OXFORD UNIVERSITY BRINGS US:

- A strong diverse pipeline: >200 opportunities in 2022
- Automatic 5%-10% zero-cost stake in all spin-outs from the science departments
- Early access to world-leading academics

EXPLORATORY BUILDS

- We invest from pre-seed, writing small, exploratory cheques
- Typically investing in 20+ opportunities per year
- Leveraging Scientists and Entrepreneurs-in-Residence

What do we look for?

An ingenious invention tackling a multi-billion market opportunity that has the potential to have real-world impact.

→

3. COMPANY BUILD

10-15

£2m-£10m

30-50%

TRUE BUILDS

- We aim to spin-out 10-15 new companies per year
- Disciplined, milestone-driven process
- Build right leadership team to ensure success

→

4. GROWTH/LATER STAGE

7-10

£10m-£20m

20-30%

NAV DRIVERS

- We follow our winners into later-stage rounds, writing larger cheques
- Attract value-add investors and supercharge Board and talent
- Leverage expertise of OSE Operating Partners, advisers, and network

£BN

OUR PLATFORM

HOW DO WE HELP?

To translate breakthrough inventions into successful businesses, we go well beyond funding. We aim to support our companies from start-up right through to commercialisation.

From state-of-the-art lab and start-up space to access to specialists, we help to find the right talent, provide advice on PR, make connections to co-investors and industry players, and guide our companies through critical funding and business milestones.

SCOUTING & EXPLORATORY → COMPANY BUILD →

INVESTMENT TEAM — Specialists across Life Sciences, Deep Tech and Health Tech

ENTREPRENEURS-IN-RESIDENCE (EIRS) & SCIENTISTS-IN-RESIDENCE (SIRS)
Experienced specialists to seed the science

OPERATING PARTNERS
Leaders who have built and operated businesses

ENTERPRISE LABS
A platform for access to playbooks, resources, suppliers, events, and advisers

TALENT & NETWORK
Building management teams and Boards

ADVISERS AND BOARD NEDS — A network of sector specialist advisers, who advise and sit on some of our key Boards

PROPERTY — 58,000 sq ft of dedicated wet lab and incubator space, which we rent fully fitted, on flexible terms

GROWTH/LATER STAGE

LATE-STAGE
Public markets and corporate finance experts

CO-INVESTORS & LEGAL
Identifying value-add capital and deal negotiation

THE OXFORD SCIENCE PARK	GRASS _ROOTS
46,000 SQ FT	12,000 SQ FT

THE GROWING OXFORD ECOSYSTEM

Together with Oxford University we've helped create a phenomenal science-business ecosystem, increasing investment in university spin-outs from an average of £125 million per year (2011-2015) to >£800 million per year (2018-2022), while attracting an impressive influx of scientific and management talent from around the world.

RETURNS TO THE UNIVERSITY

As of 2022, we gift 2% of our stake from each successful business back to the departments from which they originated to fund further research and we have a mechanism in place to release founder's equity early if desired.

>£700k

2% department gift[1]

>£100m

Returned to academics[1] from the sale of portfolio companies to date

>2,500

Jobs created
across the portfolio

£5bn

Expected to be invested in the
portfolio by OSE and Co-investors
over the next five years

PORTFOLIO REVIEW

2022 has been a busy and successful year for the portfolio with 44 financing rounds, an IPO and two major exits leading to realisations[1] of £143 million (2021: £20 million) during the year. Overall, our portfolio valuation[1] increased by 27% to £785 million in 2022 (2021: £618 million) driven by net investment[1] of £178 million (2021: £146 million), a net fair value gain[1] of £13 million (2021: £34.2 million) offsetting the £23 million (2021 £12.2 million) negative impact from the disposals on the portfolio[3]. The fair value adjustment was driven by a strong performance in the private portfolio on the back of successful financings and achievement of milestones, which offset weakness in publicly listed assets, impacted by volatility in the equity markets and challenging market sentiment towards Life Science companies.

Our portfolio companies raised[1] >£600 million of new investment from investors (including OSE) during the year, with key raises including the IPO of PepGen and Series B+ raises at Osler, OMass, MiroBio, Refeyn, and moa Technology attracting investment from specialist value-add investors.

SINCE SEPT 2015

>£2bn	£608m	28%	£311m
RAISED BY PORTFOLIO COMPANIES[3]	OSE INVESTED[1]	PORTFOLIO IRR[1]	TOTAL REALISATIONS[1]

CASH INVESTED IN PORTFOLIO

OSE's net investment[1] in the portfolio in the year was £178 million (2021: £146 million). This exceeded cash investment[1] of £161 million primarily due to the conversion of existing CLNs[3]. This excludes non-converted CLNs and includes founders shares on new spin-outs.

NEW INVESTMENTS/SPIN-OUTS

As part of the framework agreement with the University, OSE receives founding shares in all new science spin-outs from the University of Oxford, whether or not it makes a cash investment in the company. During 2022, we invested £13.5 million (2021: £19 million) into nine new portfolio companies; five of these were new spin-outs: Seloxium, Fluorok, Orfonyx, CREDO Therapies, and a Battery Newco (see the Sector Reviews on pages 20-25 for more information). We also made new investments into four existing companies Grey Wolf Therapeutics, Kesmelea, Archangel Lightworks, and QuantrolOx.

EXITS

During 2022, we saw two major disposals from our Life Science portfolio with the sale of MiroBio to Gilead in Q3 for $405 million and the sale of DJS Antibodies to AbbVie in Q4 for $255 million + additional milestone payments. These two disposals were the key drivers behind realised gains[2] of £138 million during the year.

FOLLOW-ON INVESTMENTS

During 2022, we continued to see significant follow-on investment into our existing portfolio at £147 million (2021: £127 million). This included an investment in the PepGen IPO, and several major Series B and C funding rounds for Osler, OMass, MiroBio, Refeyn, Oxford Ionics, and moa Technology.

1 To supplement performance assessment, Oxford Science Enterprises uses Alternative Performance Measures (APMs), which are not defined under IFRS. APMs are indicated in this document with an asterisk (*); definitions and further details are provided on page 115.

2 On a pro forma Basis. Please refer to pro forma financial statements on page 112 for an explanation of the pro forma basis.

3 Refer to Glossary on page 115 for definitions.

FAIR VALUE ADJUSTMENT

We saw a net fair value gain[1] totalling £12.9 million, with a strong performance in the private portfolio up £69.8 million, offsetting the weakness in public assets which were down £56.9 million.

PRIVATE PORTFOLIO:

Our private portfolio saw a double digit uplift in overall valuation, leading to a net positive fair value movement of £69.8 million, as a number of our earliest investments saw step-ups post achieving signficant milestones or successful funding rounds including:

+ **First Light Fusion:** External valuation after achieving fusion.
+ **Refeyn:** Series B valuation.
+ **Osler:** Series C valuation.
+ **Quantum Motion:** Series B valuation.
+ **Oxford Ionics:** Series A valuation.

Positive moves here were partially offset by some private asset impairments as a result of external valuation reviews on assets which had not seen an external fundraising round for over 12 months. These impairments reflected valuation moves in listed peers. This included negative impairments on Life Science assets including Evox and ONI and smaller moves on some other assets.

PUBLIC PORTFOLIO

Across the year our publicly listed assets fell in value by £56.9 million:

+ Vaccitech valuation fell by £55.1 million across the year, impacted by stock market weakness.
+ PepGen which IPOed on Nasdaq in April 2022 proved more resilient remaining broadly flat across the year, helped by positive data readouts.

PORTFOLIO REVIEW
CONTINUED

Snapshot of major investments in the
LIFE SCIENCES PORTFOLIO

COMPANY	DESCRIPTION	FAIR VALUE AT 31 DECEMBER 2022, £'000
PepGen	PepGen is a clinical stage biotech developing next generation oligonucleotide therapies for patients with Duchenne Muscular Dystrophy and other rare diseases. The company went public in May 2022.	52,539
Evox Therapeutics	Evox is a pre-clinical biotech company utilising exosomes as a novel drug delivery technology platform to enable treatments for rare inherited metabolic and other diseases.	37,600
OMass Therapeutics	OMass Therapeutics is a pre-clinical biotech company utilising a new drug discovery platform incorporating native mass spectrometry and proprietary chemistry that allows drug design against previously 'undruggable' targets.	30,784
Oxford Nanoimaging (ONI)	ONI is the creator of the Nanoimager, the world's first desktop-sized super-resolution microscope capable of visualising, tracking and imaging individual molecules in living cells with 20nm resolution, redefining the boundaries of scientific discovery.	28,550
Vaccitech	Vaccitech is a clinical stage biotech company utilising T-cell mediated immune responses to treat and prevent infectious diseases and cancer. The company was a co-inventor of the Oxford/AstraZeneca COVID-19 vaccine and went public in May 2021.	17,084
SpyBiotech	SpyBiotech is utilising unique protein superglue technology to develop vaccines against infectious disease and cancer.	11,468
T-Cypher Bio	T-Cypher Bio is an early-stage T-cell target and T-cell receptor (TCR) discovery and validation company developing the next generation of TCR-based therapeutics by deploying novel, high-throughput, platforms.	7,669
Nucleome Therapeutics	Nucleome is a pre-clinical biotech company using cutting-edge 3D genome sequencing and AI to find genetic drivers of disease, and design drugs against them.	7,367
Theolytics	Theolytics is a pre-clinical biotech company harnessing oncolytics viruses to treat cancers, utilising systematic phenotypic screening and selection systems optimised for translational success.	5,033
Other		20,903
Total		218,997

Snapshot of major investments in the

DEEP TECH PORTFOLIO

COMPANY	DESCRIPTION	FAIR VALUE AT 31 DECEMBER 2022, £'000
First Light Fusion	First Light Fusion is pioneering a new approach to fusion energy using inertial confinement, which offers a potentially cheaper and easier path to power production.	79,272
Alloyed	Alloyed is delivering next generation performance for metal components for aerospace, industrial, consumer electronics and medical applications through a unique stack of alloy and process design technologies.	30,689
moa Technology	moa Technology is uncovering the next generation of sustainable herbicides with new modes of action, enabling intensive food production with fewer inputs and reduced environmental impact.	25,173
Oxford Quantum Circuits (OQC)	OQC is developing a quantum computer based on proprietary superconducting qubit technology. OQC launched the UK's first Quantum Computing as-a-Service platform and Europe's first quantum computer on Amazon Braket, bringing enterprise quantum solutions to customers and partners.	22,459
Oxford Ionics	Oxford Ionics is developing world-leading quantum computers with electronics integrated directly into the ion trap chip, by combining the best of photonic and microwave technology.	20,334
Mind Foundry	Mind Foundry is AI for AI: a no-code platform that allows anyone in a business to build, test, deploy and maintain Machine Learning models for high-stakes applications.	20,096
Evolito	Evolito is accelerating the adoption of electric propulsion in the aerospace market with its proven axial-flux motors and power electronics which are smaller, lighter and inherently more robust than any other competing technology.	17,070
Oxford Flow	Oxford Flow is reimagining valve technology by replacing the hydraulic drive train with a single moving part to create a family of axial valves and regulators that eliminate fugitive emissions, reduce cost and improve safety, reliability and performance in the water, oil and gas industries.	14,758
Living Optics	Living Optics is creating a market-leading hyperspectral camera which will be the foundation for the next evolution of machine vision.	14,396
PQShield	PQShield is defining the next generation of cryptography for the quantum age, protecting online transactions and communications in critical industries against quantum-based threats.	14,179
Other		85,844
Total		344,270

Snapshot of major investments in the

HEALTH TECH PORTFOLIO

COMPANY	DESCRIPTION	FAIR VALUE AT 31 DECEMBER 2022, £'000
Osler Diagnostics	Osler is developing a low cost, multiplexing, high sensitivity diagnostics platform for use at point of care. Its first application is targeting heart health, measuring cardiac biomarkers in A&E.	88,188
Refeyn	Refeyn has developed a new generation of scientific instrumentation, using mass photometry to enable the accurate mass measurement of single molecules in solution, in their native state and without the need for labels, helping scientists solve their research questions, optimise R&D processes and focus on innovation.	65,503
Ultromics	Ultromics is transforming heart disease detection and treatment using AI to unlock the full potential of echocardiography, empowering clinicians to make more informed decisions to achieve better patient outcomes.	24,475
Navenio	Navenio's infrastructure-free indoor location tracking gets the right person to the right place at the right time, dramatically improving workforce efficiency in hospital settings.	11,292
Genomics	Genomics plc uses its world-leading analysis and understanding of large-scale genetic information to develop innovative precision healthcare tools for preventative medicine, and to bring new understanding to novel drug target discovery.	8,000
Perspectum	Perspectum uses AI to deliver comprehensive, quantitative, non-invasive tissue analysis from multiparametric MRI, allowing early detection, diagnosis, and more targeted treatment of liver disease, diabetes and cancer.	7,349
Other		17,362
Total		222,169

SECTOR REVIEW

LIFE SCIENCES

We back innovative platform technologies, novel classes of biologics, small molecule therapeutics, vaccines, and cell and gene therapies.

£251m
INVESTED TO DATE

£504m
PORTFOLIO VALUATION + REALISATIONS

32
COMPANIES

KEY 2022 HIGHLIGHTS

Despite a testing market backdrop, 2022 has been a busy year of significant progress for our Life Sciences portfolio, which culminated in the BioIndustry Association naming OSE as the UK's joint most active biotech investor. We saw some successful raises attracting new specialist co-investors into our portfolio, and two major exits during the year. This more than offset the impact of public market weakness upon Vaccitech 's valuation and fair value reviews of Evox and ONI.

Key highlights include:

MILESTONES AND SCIENTIFIC PROGRESS

+ Vaccitech: began receiving royalty payments related to AstraZeneca's sales of Vaxzevria® and also saw positive safety and efficacy data readouts for its HBV programme.
+ PepGen: reported positive data from Phase 1 Clinical Trial of PGN-EDO51 for the treatment of Duchenne Muscular Dystrophy, and also reported IND-enabling preclinical data, supporting progression of PGN-EDODM1 into clinical trials.
+ OMass: demonstrated the power of their drug discovery platform (OdyssION™) by making progress in drugging the undruggable, including Gasdermin D.
+ Scenic Biotech: partnered with the Barth Syndrome Foundation to explore genetic modifiers to find tailored treatment for the complex rare disease.

SUCCESSFUL FUNDRAISES

+ PepGen: $108 million Nasdaq IPO in May.
+ MiroBio: $97 million Series B led by Medicxi with participation from new investors Monograph Ventures and OrbiMed Ventures.
+ OMass: $100 million Series B, attracting new investors GV, Northpond Ventures, and Sanofi.
+ Nucleome: £37.5 million Series A led by M Ventures, with participation from Johnson and Johnson Innovation (JJDC), Pfizer Ventures, and British Patient Capital.

TWO MAJOR EXITS

+ DJS Antibodies: acquired by AbbVie in Q4 for an upfront payment of $255 million, with potential additional milestone payments. The money multiple on invested capital was >20x and the IRR >97% on the upfront payment received.
+ MiroBio: acquired by Gilead in Q3 for $405 million. The money multiple on invested capital was 5.6x and the IRR 150%.

NEW INVESTMENTS AND PIPELINE

During the year we invested in three new life sciences companies:

+ Orfonyx Bio: a discovery stage biotech leveraging the power of RNA to effect gene regulation in rare diseases.
+ Kesmalea Therapeutics: an innovative small molecule drug discovery company aiming to treat disease by modulating protein homeostasis.
+ Grey Wolf Therapeutics: a next generation immuno-oncology company. OSE participated in the $49 million Series B alongside Pfizer Ventures, Earlybird Venture Capital, and British Patient Capital.

We also launched a new initiative called 'Uncover' to help strengthen the pipeline going forward by expanding our reach into early-stage science. Under the Uncover initiative, initial funding is provided to academics, ahead of creating a company. The Life Sciences team works closely with the academics to establish a workplan to test these early ideas and help commercialise the technology in a new company, if and when successful results and proof of concept are achieved.

BOARDS & MANAGEMENT TEAMS STRENGTHENED

+ SpyBiotech: appointed Mark Leuchtenberger as CEO (ex-Executive Chair of Aleta BioTherapeutics; multiple CEO positions).
+ Nucleome: appointed Dr. Phil Boyd as CFO (ex-CFO of Caldan Therapeutics) and Nigel Clark as Chief Business Officer (ex-SVP of Business Development at Kymera).
+ PepGen: appointed Habib Dable as Non-Executive Director (ex-CEO of Acceleron; ex-Bayer).
+ OMass: appointed Dr. Jon Roffey as Head of Medicinal Chemistry (ex-Head of Drug Discovery at Nanna).
+ Theolytics: appointed Andrew Oakley as CFO (ex-CFO at Autolus).

SPOTLIGHT ON:
DJS ANTIBODIES

STAGE:
EXIT

SCIENTIFIC FOUNDERS:
DR. DAVID LLEWELLYN, DR. JOE ILLINGWORTH

[1]

> "OSE got behind us in 2016, at a point in DJS' life cycle when few other funds would have, hopefully the return on investment we have generated vindicates the approach of backing young founders and entrepreneurs and being patient."

JOE ILLINGWORTH
Co-Founder, DJS Antibodies

Chronic inflammatory diseases are the most significant cause of death in the world, accounting for more than 50% of all deaths. DJS Antibodies, a pre-clinical biotech company, founded by Oxford alumni Dr. David Llewellyn (CEO) and Dr. Joe Illingworth (CSO), aims to create next generation antibody therapeutics to transform the lives of patients suffering from inflammatory diseases. Leveraging their proprietary antibody discovery platform (HEPTAD), DJS designs better treatments for patients with severe inflammatory disorders.

Traditionally, most severe inflammatory diseases have been treated using broad, systemic immunosuppressants. As these drugs suppress the immune system as a whole, patients have suffered from undesirable side effects. Instead, DJS aims to target the specific part of the immune system causing the damage, enabling patients to be treated with higher doses, while experiencing fewer side effects. DJS' lead programme (DJS-002) aims to treat fibrotic diseases, such Idiopathic Pulmonary Fibrosis (IPF), a fatal lung disease which causes scarring of the lungs. IPF affects approximately three million people globally; patients have very limited treatment options. DJS aims to transform treatment, having produced the first ever antibody which specifically targets the intended pathway, giving the desired efficacy without any of the unwanted off-target side effects.

DJS Antibodies was acquired by AbbVie in 2022 for $255 million and additional potential milestone payments, which are dependent on the success of their lead programme in the clinic. This acquisition will extend AbbVie's current discovery research capabilities by generating novel antibodies against difficult-to-drug targets in immunology and beyond. Moreover, this will expand the company's research efforts in Oxford, continuing the growth of Oxford's world-leading innovation ecosystem.

1 Please see pages 30-31 for information on our sustainability goals

DEEP TECH

£227m
INVESTED TO DATE

£369m
PORTFOLIO VALUATION + REALISATIONS

58
COMPANIES

Our Deep Tech portfolio includes companies developing frontier technologies ranging from agtech to climate-tech, from space-tech to quantum computing.

KEY 2022 HIGHLIGHTS

2022 has been a busy year for the Deep Tech portfolio - with significant scientific progress and some major fundraises despite a tougher funding backdrop. We saw a significant step up in valuation at First Light Fusion on the back of the successful achievement of fusion, this and step ups on some key fundraises including moa Technology and Oxford Ionics more than offset fair value impairments on assets including Animal Dynamics. We have also seen a number of new companies join the portfolio during the second half of the year.

Key highlights include:

MILESTONES AND SCIENTIFIC PROGRESS

+ First Light Fusion (FLF): hit a major milestone early in the year as it achieved fusion, a world-first using a one-sided projectile, a result that was validated by The UK Atomic Energy Authority. The December 2022 news that the US Government-funded National Ignition Facility (NIF) had achieved fusion gain using an inertial confinement approach, was also significant for FLF. This breakthrough not only de-risks its physics, but also positions FLF as a leading start-up in the inertial confinment space.
+ PQShield: algorithms are being standardised by the US National Institute of Standards and Technology (NIST), reaffirming the company's leading position in the post-quantum cryptography space.
+ ORCA Computing: was selected to provide the Ministry of Defence with its first quantum computer.
+ Mixergy: announced a partnership with PlumbNation, the UK's largest online plumbing and heating merchant.
+ Evolito: acquired Electroflight, an aerospace battery company, enabling the company to create full powertrain solutions.
+ Oxford Ionics: announced a collaboration with Infineon Technologies to build Quantum Processing Units.
+ Quantum Motion: achieved a world-record measurement of quantum devices made on a silicon chip, laying the foundations for mass production of quantum chips using existing silicon manufacturing processes.

SUCCESSFUL FUNDRAISES

+ Oxford Ionics: completed a £30 million Series A, co-led by Braavos Investment Advisers and OSE, with participation from new investors including Prosus Ventures.
+ Living Optics: completed a £20 million Series A financing, led by Octopus Ventures.
+ moa Technology: completed a $44 million Series B co-led by Lansdowne Partners, Parkwalk Advisors, and OSE.
+ ORCA Computing: completed its $15 million Series A led by Octopus Ventures.
+ OQC: completed its £38 million Series A co-led the University of Tokyo Edge and Lansdowne Partners.
+ Brill Power: raised a $10.5 million Series A round led by Legal & General Capital and Barclays Sustainable Impact Capital.
+ Util: closed a $6 million Seed round led by Eldridge.
+ Quantum Motion: (post year-end) announced a £42 million Series B led by Robert Bosch Venture Capital, with particpation from Porsche.

NEW INVESTMENTS

During the year, we invested in five new Deep Tech companies: two existing companies, QuantrolOx and Archangel Lightworks, and three new spin-outs:

+ Battery Newco: developing lithium-sulfur battery technologies, for electrified transportation and sustainable energy storage.
+ Fluorok: which has developed novel fluorination processes for the synthesis of fluorochemicals.
+ Seloxium: which helps recover precious metals from waste water.

BOARDS & MANAGEMENT TEAMS STRENGTHENED

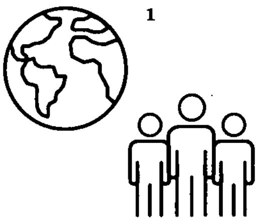
+ Evolito: appointed Dr. Chris Harris as CEO (ex-CEO of YASA).
+ ORCA Computing: appointed Per Nyberg as Chief Commercial Officer (ex-VP, Strategic Markets and Alliances at Quantum Machines).
+ Salience: appointed Chris Goodings as VP of Engineering (ex-VP of Engineering Operations at Graphcore).

SPOTLIGHT ON:
WILD BIOSCIENCE

STAGE:
SEED

SCIENTIFIC FOUNDERS:
PROF. STEVE KELLY

DEPARTMENT:
BIOLOGY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"Farmers are on the frontline of climate change and we're giving them the tools to sustainably feed the 8 billion people on the planet."

ROSS HENDRON
CEO, Wild Bioscience

With a rapidly growing world population, expected to reach nearly 10 billion people by 2050, we must produce significantly more food. Farmlands have expanded to meet this increased food demand and mitigate losses resulting from climate change – all the while only further accelerating climate change and the loss of wild habitats: food production contributes to over a third of global greenhouse gas emissions and almost 90% of global deforestation.

Through its evolution-centred platform, Wild Bioscience (Wild Bio) aims to boost farm yields and enable carbon mitigation strategies to protect and restore earth's last remaining wild habitats. In the wild, plants have solved growing in every possible climate on the planet using natural genetic solutions that have been fine-tuned over half a billion years of plant evolution. Wild Bio is harnessing these natural solutions that have evolved in wild plant species to inspire genetic enhancements for the world's most important crops, radically enhancing crop yields while simultaneously combatting climate change.

Launched in 2021, Wild Bio was founded by Ross Hendron (CEO) and Prof. Steve Kelly (CSO). Ross first worked with OSE in 2017 as an intern whilst completing his DPhil in Interdisciplinary Bioscience at the University of Oxford. A few years later, Ross worked with OSE as both a Scientist-in-Residence and an Entrepreneur-in-Residence, before spinning out Wild Bio with his DPhil supervisor: Prof. Steve Kelly. The team's first product 'Wild Solar' improves photosynthesis, plant growth rate, and seed yield – with preliminary lab validation indicating 30% enhancement to yield components. The next developments in the pipeline include a drought tolerance trait and a carbon sequestration trait. Both of these new approaches are designed to improve the farm's resilience to climate change, both safeguarding yields in increasingly unstable climates and actively removing carbon emissions from the atmosphere. Wild Bio's platform enables necessary scaling of both farm productivity and carbon mitigation, ensuring we can feed a growing population, sustainably.

1 Please see pages 30-31 for information on our sustainability goals

HEALTH TECH

£130m
INVESTED TO DATE

£223m
PORTFOLIO VALUATION + REALISATIONS

20
COMPANIES

With companies ranging from AI imaging, big data analytics, digital pharma services, and tech-enabled care delivery, to smart diagnostics, next generation medical devices and life science tools – our Health Tech portfolio companies impact not only patients' lives, but entire healthcare systems.

KEY 2022 HIGHLIGHTS

2022 has been a foundational year for our Health Tech team. A great deal of work has gone into strengthening the teams and go-to-market strategies of our portfolio companies in the health tech space. We have also seen some major raises attract new co-investors into the portfolio and good progress on pipeline development with a number of new company builds spinning out during Q4 and the early part of 2023.

Key highlights include:

MILESTONES AND SCIENTIFIC PROGRESS

+ Ultromics: received FDA clearance for its breakthrough device EchoGo® heart failure: an AI-based platform which enables precise detection of heart failure with preserved ejection fraction (HFpEF).
+ OxfordVR: merged with BehaVR in Q4 2022 to form the largest virtual reality (VR) delivery platform for evidence-based digital therapeutics. Prior to the merger, OxfordVR's gameChange™ VR therapy earned FDA Breakthrough Device designation.
+ Amber Therapeutics: has announced successful first in-human implants of the Amber-UI, a therapy for urinary incontinence since the year-end.
+ Perspectum: received FDA regulatory clearance for its CoverScan tool, that provides comprehensive assessments of six organs with one MRI scan.
+ Genomics plc: announced a successful world-first pilot in the NHS using improved genomic risk assessment in cardiovascular disease prevention.

NEW INVESTMENTS

We worked on a number of new company builds during 2022, ultimately resulting in two new spin-outs (Neu Health and CREDO Therapies) and one new investment, Ground Truth Labs (GTL). CREDO Therapies, was spun out during the year with Neu Health and Ground Truth Labs completing post year end in January 2023.

+ CREDO Therapies: has developed a tech-enabled care delivery platform to treat and support individuals with eating disorders.
+ Neu Health: an OSE Entrepreneur-in-Residence led build, reinventing how neurological conditions are managed through its remote patient monitoring platform, which leverages smartphone capabilities to measure cognitive, motor, and non-motor symptoms.
+ GTL: is a digital pathology start-up, which has built a computational platform that uses histology-based AI to transform speciality oncology care.

BOARDS & MANAGEMENT TEAMS STRENGTHENED

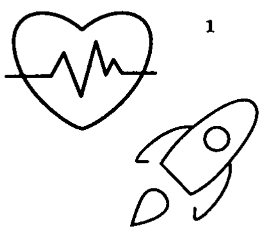
+ Refeyn: appointed Jean-Paul Mangeolle (ex-Danaher, Merck, and Millipore) as Non-Executive Director.
+ Osler Diagnostics: appointed Chris Smith (CEO of Ortho Clinical Diagnostics) as Chair and Dr. David Berry (Founder and CEO of Valo Health) as Non-Executive Director.
+ Navenio: appointed Bill Kloes (ex-Partner of OnPointPX) as COO.
+ Genomics plc: appointed Simon Dingemans as Chair (ex-CFO of GSK).
+ Post year-end Ultromics appointed John Russell as Chair (ex CEO Cardiva Medical).
+ Post year-end Caristo appointed Frank Cheng as CEO (ex CCO Eyenuk).

SPOTLIGHT ON:
REFEYN

STAGE:
SERIES B

SCIENTIFIC FOUNDERS:
PROF. PHILIPP KUKURA, PROF. JUSTIN BENESCH

DEPARTMENT:
CHEMISTRY



[1]

"Refeyn has established mass photometry as a game changing bioanalytical tool – we are now focused on using the proceeds of our Series B to support further portfolio expansion to help us scale this pioneering technology which will continue to accelerate scientific discovery."

JONATHAN FLINT
Executive Chairman, Refeyn

Throughout academia and industrial research & development in biopharma and other areas, molecular mass measurement can provide essential insights about biological systems. Yet, currently available molecular measurement technologies, such as mass spectrometry, are expensive and/or complex to use.

Spun out in 2018, Refeyn was founded on the belief that mass photometry - a technology developed at the University of Oxford - would accelerate science. Refeyn's proprietary mass photometry approach can accurately determine molecular mass by measuring light scattering from the individual molecules in a sample. With simpler sample preparation requirements than conventional technologies, Refeyn's benchtop devices transform scientists' abilities to measure the mass of individual proteins, nucleic acids, biomolecular complexes, and viruses – providing vital insights for scientific discovery, research & development, and therapeutics production.

Expanding its offering of mass photometry systems, Refeyn launched its new SamuxMP and TwoMP Auto in early 2022. The SamuxMP is optimised for analysing samples of adeno-associated viruses (AAVs), which are used to deliver gene therapies. By automating mass photometry, the TwoMP Auto enhances precision, improves reproducibility, and frees up valuable time for scientists, enabling labs to run mass photometry measurements more efficiently. Following these launches, Refeyn closed an oversubscribed Series B funding round led by Northpond Ventures, which is supporting further portfolio growth, including expanding mass photometry applications outside the bioanalytics space.

Today, more than 250 of Refeyn's instruments have been installed in labs around the world. With upwards of 200 scientific papers using mass photometry – published in world-leading journals including Nature, Science, and Cell – it is clear that as Refeyn continues to scale, its pioneering technology will continue to accelerate scientific discovery.

1 Please see pages 30-31 for information on our sustainability goals

KEY PERFORMANCE INDICATORS

We have a set of Financial Key Performance Indicators (KPIs) and Non-Financial Metrics which we use to track our performance over time against our objectives.

TOTAL RAISED BY PORTFOLIO[1]

£604m

2022	£604m
2021	£620m
2020	£300m

WHY THIS IS IMPORTANT

This is the £'million raised by our portfolio companies from both OSE and external specialist co-investors. The ability of our companies to attract capital is key not only to enable them to execute their business plans but also to help attract the right talent. Specialist investors also provide external validation.

LINK TO PRINCIPAL RISKS: 1, 2, 3, 4, 5

LINK TO REMUNERATION: N/A

OSE INVESTED[1] IN PORTFOLIO

£161m

2022	£161m
2021	£146m
2020	£103m

WHY THIS IS IMPORTANT

The total level of capital deployed from the Company's balance sheet into the portfolio. This is key to drive the growth in the portfolio, enabling it to attract talent and execute upon business plans.

LINK TO PRINCIPAL RISKS: 1, 2, 3, 4, 5

LINK TO REMUNERATION: VINTAGE AND VALUE LTIP SCHEME AND JSOP

NEW PORTFOLIO INVESTMENTS[2]

9

2022	9
2021	8
2020	4

WHY THIS IS IMPORTANT

The number of portfolio investments that received initial capital from the Company during the year. This includes new spin-outs and company builds and some existing Oxford companies. We aim to invest in 10-15 new companies each year; this pipeline of new investment will drive future growth in the portfolio.

LINK TO PRINCIPAL RISKS: 1, 2, 3, 4

LINK TO REMUNERATION: VINTAGE AND VALUE LTIP SCHEME

CASH AND DEPOSITS[1]

£467m

2022	£467m
2021	£242m
2020	£412m

WHY THIS IS IMPORTANT

Cash and deposits held. This is key to continue building new companies and supporting the existing portfolio.

LINK TO PRINCIPAL RISKS: 2, 3, 4

LINK TO REMUNERATION: N/A

REALISATIONS[1]

£143m

2022	£143m
2021	£20m
2020	£145m

WHY THIS IS IMPORTANT

Realisations are the sales proceeds on exited portfolio companies. This shows the commercial application on the world-leading science.

LINK TO PRINCIPAL RISKS: 1, 3, 4, 5

LINK TO REMUNERATION: VALUE AND VINTAGE LTIP SCHEME AND JSOP

NAV PER SHARE GROWTH[1]

10%

2022	10%
2021	3%
2020	22%

WHY THIS IS IMPORTANT

This is the annual growth in net assets per share and represents the value creation for shareholders.

LINK TO PRINCIPAL RISKS: 4

LINK TO REMUNERATION: VALUE LTIP SCHEME, JSOP AND ANNUAL BONUS

1 To supplement performance assessment, Oxford Science Enterprises uses Alternative Performance Measures (APMs), which are not defined under IFRS. APMs are indicated in this document with an asterisk (*); definitions and further details are provided on page 115

2 Refer to Glossary on page 118 for definitions

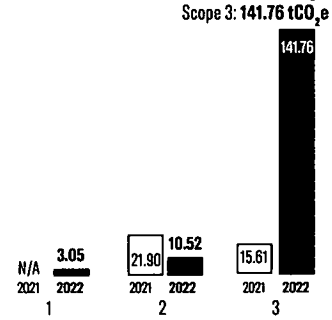
NON-FINANCIAL METRICS

We commit to measuring, monitoring, and reporting our sustainability progress. While this data is currently focused on OSE's own performance, we aim to expand on this reporting as we continue to engage with and collect data from across the portfolio.

ENVIRONMENT

OSE EMMISIONS

Scope 1: **3.05 tCO_2e**
Scope 2: **10.52 tCO_2e**
Scope 3: **141.76 tCO_2e**



Emissions data as of Dec 31 2022, calculated using Plan A's Carbon Manager. 2021 Scope 2 emissions calculated using national averages. See pages 32 and 118 for more information.

OUR IMPACT IN OXFORD

>2,500

NUMBER OF JOBS CREATED IN THE PORTFOLIO

(2021: >2,000)

58,000 sq ft

NEW LABORATORY AND START-UP SPACE

(2021: 58,000 sq ft)

SOCIAL

OSE DIVERSITY STATISTICS

OSE TEAM

WOMEN
52%
(2021: 50%)

ETHNIC MINORITY
10%
(2021: 11%)

OSE MANAGEMENT

WOMEN
50%
(2021: 41%)

ETHNIC MINORITY
6%
(2021: 12%)

OSE BOARD

WOMEN
11%
(2021: 11%)

ETHNIC MINORITY
0%
(2021: 0%)

33%

GENDER PAY GAP

(2021: 30%)

Diversity and gender pay gap data as of Dec 31 2022. Board data is inferred, Management and Team data is self-reported. Gender pay gap does not include bonuses or advisers. See pages 34 and 118 for more information.

69%

EMPLOYEE SATISFACTION

(2021: N/A)

Employee satisfaction data as of December 19, 2022. 2021 data not available. See pages 35 and 118 for more information.

GOVERNANCE

98%

AVERAGE BOARD ATTENDANCE

(2021: 93%)

SUSTAINABILITY REPORT

OSE was founded in 2015 with a big ambition: to bring Oxford's best ideas to the world and solve our greatest challenges at unprecedented speed. As a long-term investor, Oxford Science Enterprises (OSE) considers environmental, social, and governance (ESG) issues as fundamental to successfully building transformational businesses. We strive to embed sustainability not only across our investment and portfolio management processes, but also within our own operations.

OSE's Board signed off on our ESG Policy (available on our website) at the end of 2021, and we have been busy in 2022 implementing this strategy. ESG is an agenda item for all Board meetings; our approach to ESG governance is outlined on page 36. Pages 29-31 outline our approach to integrating ESG into our investment strategy, as well as examples of the positive impacts our companies are having; pages 32-35 outline progress we have made across OSE's internal ESG initiatives; and our voluntary reporting against the Taskforce on Climate-related Financial Disclosures is on pages 36-41.

HIGHLIGHTS THIS YEAR INCLUDE:

1. The formation of an OSE ESG Task Force to ensure we make progress on our ESG initiatives. This consists of two teams, one focusing on internal OSE initiatives, and one focusing on integrating ESG into the investment process. These working groups first met in Q2 and, in total, met 11 times over 2022.

Internal progress included:

2. The completion of our first climate risk and opportunity assessment, which enabled us to begin voluntarily reporting against the Task Force on Climate-related Financial Disclosures (see pages 36-41).

3. Diversity & Inclusion training for all team members on race fluency and race confidence (see page 34).

Progress integrating ESG into the investment process including:

4. A new requirement for Investment Memos brought to the Investment Committee to include an ESG and impact assessment (see page 29).

5. Initiated ESG & impact workshops for new, material investments (see page 29).

6. Began collecting ESG data from portfolio companies, with the ESG_VC framework completed by our later-stage (Series B+) companies (see page 29).

RESPONSIBLE INVESTMENT

Over the course of 2022, we started the process of integrating ESG into all stages of the investment process, and we will continue to roll out and improve upon this approach in 2023.

PRE-INVESTMENT, THE FOLLOWING CATEGORIES ARE INTEGRATED INTO INVESTMENT MEMOS:

+ Negative screening - OSE will never invest in companies with direct involvement in the following sectors/types of businesses:
  - Firearms
  - Tobacco
  - Alcohol
  - Gambling
  - Adult Entertainment
  - Fossil Fuels
+ Impact alignment - determining whether, and how, the proposed investment aligns with one of our four goals (see page 30-31), including highlighting any potential positive and negative impacts.
+ ESG due diligence - identifying whether the company has any material ESG risks, addressing topics such as:
  - The management's mindset around ESG and impact, including whether the company has any existing sustainability initiatives in place;
  - The regulatory landscape, as it relates to ESG issues and the company's sector;
  - Potential material sector-specific ESG risks;
  - Any operational ESG concerns;
  - The climate risks and opportunities the company may be exposed to.

FOLLOWING THE DECISION TO INVEST:

+ ESG clause in transaction documents - in 2022 we defined the ESG requirements to be included in term sheets and shareholder agreements. Starting in 2023, these documents include ESG-related clauses for new investments, where we lead or co-lead, requiring the company to:
  - Adopt an environmental (including climate) policy in the first year of investment, including measuring its carbon footprint.
  - Adopt a diversity & inclusion strategy in the first year of investment, including measuring gender and ethnic diversity within the team and management.

Moreover, companies will need to consider how they can implement best practice as it relates to ESG in the business, and discuss and report these practices to the Board.

ESG & IMPACT WORKSHOPS:

For material, new investments, we host workshops, which are intended to facilitate deeper discussion, and an ongoing dialogue, on impact and ESG. We use this time to identify the potential positive and negative impacts the company may have, any ESG risks the company may be exposed to, and the next steps both OSE and the company can take to mitigate risks.

We hosted our first ESG workshop in October 2022, with a total of nine workshops held during the final quarter of the year. The workshops were attended by company management, company founders, members of the OSE investment team, and our Responsible Investment & ESG Manager. Each of these workshops focused on the relevant portfolio company's material ESG risks and opportunities. Given our companies vary by sector and stage, these sessions can cover a range of topics, ranging from emissions management to supply-chain risks, and from diversity & inclusion to cybersecurity. We address the impact associated with the company's business model, which can include how the positive or negative impacts may vary from one application to the next. We recommend what should be measured and reported and, ultimately, we aim to identify how OSE can support the company on its sustainability journey.

ONCE THE COMPANY IS WITHIN OUR PORTFOLIO:

We commit to supporting and engaging with the companies on their ESG performance and progress.

+ Data Collection: using the ESG_VC framework, we measure and monitor our late-stage (Series B+) companies' ESG performance, annually. This framework includes, but is not limited to, topics such as emissions measurement, employee satisfaction, diversity & inclusion, cybersecurity, and corporate governance.
+ Engagement: We aim to use the findings from due diligence, ESG workshops, and ESG data collection to support the identification of any risk factors or issues, and for the relevant investment lead to address these with company management accordingly. We aim to leverage our Board seat positions to ensure ESG is discussed regularly at company Board meetings, and progression is monitored.

Upon exit: we aim to ensure that the business has progressed in its internal ESG performance and has the processes in place to effectively measure and manage this going forwards. In the case of a sale or acquisition, we will consider impact and ESG factors.

SUSTAINABILITY REPORT

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OUR GOALS

Our vision is a world where the best scientists and brightest business minds combine to solve our biggest challenges at unprecedented speed. To ensure Oxford's science delivers a positive real-world impact, we focus on four key goals: enabling people to lead longer, healthier lives; protecting the future of our planet; feeding the world and keeping us safe; and accelerating the pace of positive change. In 2022, in addition to monitoring our progress against these goals using the below metrics, we began assessing – for any new investment – whether, and how, the proposed investment aligns to these goals (see page 29).

ENABLING PEOPLE TO LEAD LONGER, HEALTHIER LIVES

We want to help fight disease and suffering to enable people around the world to lead longer, healthier lives. Over 40 of our businesses are working towards this goal – predicting the onset of disease before symptoms develop, creating safe and effective vaccines at speed, providing lifesaving treatments for the world's most devastating diseases, and using advances in technology to transform healthcare from mental health treatment to overwhelmed healthcare systems.

>£400M[1]
INVESTED BY OSE
(2021: >£315m)[1]

>£3.2BN[1]
COMBINED WORTH
(2021: >£2.2bn)[1]

>£1BN[1]
INVESTED BY EXTERNAL INVESTORS
(2021: >£765m)[1]

41[1]
COMPANIES
(2021: 38)[1]

PORTFOLIO COMPANIES WORKING TOWARDS THIS GOAL INCLUDE:

PepGen	Next-generation oligonucleotide therapies for patients with Duchenne's Muscular Dystrophy and other rare diseases.
Caristo	Predicting heart attack risk by detecting invisible coronary inflammation.
Osler	A low cost, multiplexing, high sensitivity diagnostics platform for use at point of care.
Amber	Developing an intelligent implantable closed-loop neurostimulation therapy to treat urinary incontinence.
Nucleome	Using 3D genome sequencing to deliver first-in-class precision medicines.

For an in-depth look at the progress being made towards this goal, see page 21 for the case study on DJS Antibodies, as well as page 25 for the case study on Refeyn.

PROTECTING THE FUTURE OF OUR PLANET

We want to tackle environmental threats and the climate crisis to protect our planet for future generations. The world must reach net zero by 2050 and to do so we must protect and regenerate nature, reduce waste, cut pollution, and transition to clean, renewable energy. We have invested in over 10 companies that are working towards this goal, with technology solutions ranging from fusion power, to solar energy, to recovering precious metals from wastewater.

>£105M[1]
INVESTED BY OSE
(2021: >£75m)[1]

>£755M[1]
COMBINED WORTH
(2021: >£480m)[1]

>£120M[1]
INVESTED BY EXTERNAL INVESTORS
(2021: >£75m)[1]

13[1]
COMPANIES
(2021: 12)[1]

PORTFOLIO COMPANIES WORKING TOWARDS THIS GOAL INCLUDE:

First Light	Pioneering a new approach to fusion energy using inertial confinement.
Mixergy	Smart and connected hot water technologies.
Odqa	A world-class thermal receiver that produces high grade heat from concentrated sunlight.
Natcap	The nature intelligence solution for enterprise and finance to measure, map, and enhance natural capital assets.
Seloxium	Proprietary selective flocculation technology to recover valuable metals from wastewater.

For an in-depth look at the progress being made towards this goal (as well as Feeding the World and Keeping us Safe), see page 23 for the case study on Wild Bioscience.

FEEDING THE WORLD AND KEEPING US SAFE

Populations are growing, we must create 70% more food by 2050, and the world is increasing in complexity. We have invested in over 10 businesses dedicated to addressing our food insecurities and the needs of changing societies. These businesses provide a range of solutions to keep the world fed and support farms to reach their full productivity: sustainable herbicides, crop enhancement and crop loss diagnosis – and keep us safe: improving access to education, 3D printed helmets, cybersecurity, and data privacy.

>£50M[1]
INVESTED BY OSE
(2021: >£30m)[1]

>£460M[1]
COMBINED WORTH
(2021: >£240m)[1]

>£100M[1]
INVESTED BY EXTERNAL INVESTORS
(2021: >£50m)[1]

11[1]
COMPANIES
(2021: 11)[1]

PORTFOLIO COMPANIES WORKING TOWARDS THIS GOAL INCLUDE:

Omegacrop	Next generation precision agriculture, enabling farmers to improve crop yield and value per hectare.
Hexr	Developing and licensing ultra-safe designs for helmets, reducing the risk of serious head injury.
Bibliu	Content management software platform for digital textbooks.
PQ Shield	Next generation cryptography for the quantum age.
Moa	Sustainable herbicides, enabling intensive food production with reduced environmental impact.

For an in-depth look at the progress being made towards this goal (as well as Protecting the Future of our Planet), see page 23 for the case study on Wild Bioscience.

ACCELERATING THE PACE OF POSITIVE CHANGE

Advances in science and technology are critical to accelerate the pace of positive change. Over 20 of our businesses are working to unlock new understanding and capabilities; this includes emerging technologies, transformative research tools, and advanced materials and manufacturing. For example, quantum computing, artificial intelligence, and hyperspectral imaging – with applications ranging from medical diagnosis to drug discovery to climate solutions – can supercharge progress across a breadth of industries to make meaningful impact possible.

>£185M[1]
INVESTED BY OSE
(2021: >£125m)[1]

>£1.1BN[1]
COMBINED WORTH
(2021: >£640m)[1]

>£325M[1]
INVESTED BY EXTERNAL INVESTORS
(2021: >£195m)[1]

24[1]
COMPANIES
(2021: 25)[1]

PORTFOLIO COMPANIES WORKING TOWARDS THIS GOAL INCLUDE:

Living Optics	Creating a hyperspectral camera, which will be the foundation for the next evolution of machine vision.
Oni	Creater of The Nanoimager, providing next-generation fluorescence microscopy.
Oxford Ionics	World-leading quantum computers with electronics integrated directly into the ion trap chip.
Salience	Ultra high throughput tensor processing chip using photonics to enable significant improvements in processing performance.
Archangel	Laser communication hardware to to enable high-volume, secure data links between space and earth to improve global connectivity.

For an in-depth look at the progress being made towards this goal, (as well as Enabling People to Lead Longer, Healthier Lives), see page 25 for the case study on Refeyn.

1 Impact mapping: only includes companies where OSE has invested >£250k (including exits, not including companies that have closed). The valuation statistic is based on the company's overall value, rather than OSE's holding: private company valuation based on company's last raise; exited company valuation based on valuation at time of exit; public company valuation based on market cap. Some companies have been mapped to more than one category.

SUSTAINABILITY REPORT

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INTERNAL ESG INITIATIVES

To effectively promote and embed sustainability within the investment process, our internal operations must also be carried out in a responsible manner. We endeavour to promote environmental responsibility within the organisation; to foster a diverse, inclusive dynamic culture where our team can thrive and grow; and to help guide staff in their conduct and business relationships. Our policies and strategic initiatives in this section cover emissions measurement, environmental management, diversity and inclusion, employment quality, community development, health and safety, human and labour rights, and cybersecurity and data privacy. A major focus of this year has been implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), outlined on pages 36–41. The Governance Report (pages 48-72) details our governance structure and its operation during 2022.

EMISSIONS MEASUREMENT

Throughout the year, we continued to make progress in measuring our Greenhouse Gas (GHG) emissions using Plan A's Carbon Manager[1]. OSE's Scope 1, 2, and select Scope 3 emissions are outlined on page 27 and in the table below. Going forwards, as we continue to expand the scope of our emissions measurement, we aim to also report on our portfolio emissions, where possible.

This year, one key area of progress was engaging with property managers to ensure we can access energy usage data for our Scope 2 calculation as, due to data constraints in 2021, our Scope 2 emissions had been based on national averages. During 2022, we saw Scope 2 emissions reduce by 52%, however this was primarily due to the fact we moved from using national averages to using our own data in the calculation, as opposed to lower energy usage. We saw Scope 3 emissions rise by 808% as we saw business travel recommence after being very limited in 2021 due to COVID-19 restrictions.

OSE 2022 GHG EMISSIONS

Category[2]	2021 (tCO_2e)	2022 (tCO_2e)
SCOPE 1	**N/A**	**3.05**
Scope 1: Fugitive Emissions	N/A	3.05
SCOPE 2[3]	**21.90**	**10.52**
Scope 2: Heating	12.22	1.31
Scope 2: Electricity	9.68	9.21
SCOPE 3	**15.61**	**141.76**
Scope 3: Facility Supply	4.10	15.24
Scope 3: Cloud Services	3.00	3.00
Scope 3: Employee Commute	2.12	8.98
Scope 3: Business Travel	1.44	107.42
Scope 3: Working From Home	4.95	7.12
TOTAL EMISSIONS	**37.51**	**155.33**

ENVIRONMENTAL MANAGEMENT

Given the majority of our 2022 emissions result from business travel, we are working to monitor and limit business travel where possible. To this end, we rolled out our Sustainable Travel Policy during the year, which restricts the use of air travel within England and to core destinations served by Eurostar.

1 Plan A's methodology is audited and certified by TÜV Rheinland and is in line with the Greenhouse Gas Protocol's methodology.
2 Refer to Glossary on page 118 for definitions.
3 2022 Scope 2 emissions: monthly energy usage data calculated using averages, in months where readings were unavailable, or taken before or after month-end. 2021 Scope 2 emissions were calculated using national averages.

To reduce emissions associated with employee commuting, employees are offered a bike-to-work scheme, of which 17% participate. Moreover, at the time of our employee commute survey (December 2022), >70% of employees travel to the office by cycling, walking, or public transport: 34% by biking or walking (2021: 50%) and 38% by public transport (2021: 25%).

OSE is a signatory of the Zero Carbon Partnership, a group of organisations across Oxford committed to carbon reduction and supporting the city's target of net zero carbon emissions by 2040. In 2023, we aim to set a net zero target for OSE, including developing a longer-term plan, with interim milestones, to hit this target. We recognise that the reduction of emissions should be the primary focus to achieve net zero, and that this transition will take time.

In terms of the environmental impact resulting from our office, we are located within the H B Allen centre (HBAC), part of Keble College. The building has energy efficiency measures in place, including a combined heat and power system, a building management system, LED lights, and motion sensors. We separate recycling, waste, and compost, and Select Environmental Services, the company which provides waste management services to HBAC, provides a zero-waste to landfill solution: as much waste as possible is recycled, and only the remainder (residual waste) is sent to Energy-from-Waste.

This year, for the first time, we have purchased carbon removal credits to compensate for 100%, or 155 tCO_2e, of OSE's 2022 measured emissions. This includes Scope 1, Scope 2, and select Scope 3 emissions (see table on page 32), and excludes emissions resulting from purchased goods and services and investments, which we have not measured in 2022.

We worked with Plan A, our carbon measurement provider, to source carbon compensation projects, and ultimately selected one carbon removal project: greenSand's Olivine Enhanced Weathering. This project removes CO_2 from the atmosphere by harnessing the natural weathering process of olivine, which is crushed and distributed on outdoor services, such as railway lines, pathways, and parking lots.

Certified by ONCRA (Open Natural Carbon Removal Accounting), this project weathers over 50 years, and provides carbon removal with long-lived storage.

SUSTAINABILITY REPORT

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OSE DIVERSITY STATISTICS

Category	Board[1] (%)	Executive Team (%)	Investment Committee[1] (%)	Management Team[1] (%)	Overall Team (%)
GENDER					
Male	88.89	60.00	57.14	50.00	46.15
Female	11.11	40.00	42.86	50.00	51.92
Non-Binary	-	-	-	-	-
Prefer not to say	-	-	-	-	-
Not disclosed	-	-	-	-	1.92
ETHNICITY	-	-	-	-	-
White	100.00	100.00	100.00	94.44	63.46
Asian or Asian British	-	-	-	-	5.77
Black or Black British	-	-	-	-	-
Latin Hispanic	-	-	-	-	-
Middle Eastern	-	-	-	-	-
Mixed	-	-	-	5.56	3.85
Other	-	-	-	-	-
Prefer not to say	-	-	-	-	-
Not disclosed	-	-	-	-	26.92

DIVERSITY & INCLUSION (D&I)

We are committed to improving diversity and inclusion within OSE and our portfolio companies. We have continued to measure and monitor both the diversity of the OSE team, outlined on page 27 and in the table above, as well as OSE's gender pay gap (see page 27 and the table below).

We calculate the mean gender pay gap and quartile ranges on a quarterly basis. OSE's mean gender pay gap increased from 30% in 2021 to 32.89% in 2022. As a small organisation, our gender pay gap data is impacted by a small number of staff changes. This year's increase has been largely driven by additional administrative and support staff being added to our staffing structure in Q4 2022: these roles are at the lower end of our pay scales, and a high concentration of the employees in these roles are female. However, it should also be noted that that we have a split of 45% female and 55% male in our highest pay quartile, which is rare in the venture capital industry.

OSE MEAN GENDER PAY GAP QUARTILES[2]

Quartile	Male %	Female %
HIGH	55.00	45.00
HIGH MID	58.34	41.66
LOW MID	41.70	58.30
LOW	9.00	91.00

1 Diversity data as of Dec 31, 2022. Team data is self-reported, Board data is inferred. Management Team consists of the Executive Team, Partners, and Heads of Departments, unlike in 2021 where Principals were also included in the Management Team statistic. The Investment Committee statistics also include non-voting attendees. information.

2 Gender pay gap data as of Dec 31, 2022. Gender pay gap does not include bonuses or advisers. See page 118 for more information.

Despite our overall mean pay gap being higher than we would like, we will continue to drive initiatives which support females and underrepresented groups to progress their careers into senior roles. We have a dedicated committee focussed on tackling issues relating to D&I, and shaping our strategy and key initiatives, with representation *from across the business. One such initiative from this year was hosting* diversity training for all team members, specifically on race fluency and race confidence, led by Delta Alpha Psi.

In addition to training, we aim to ensure we have supportive, family-friendly policies. These policies and initiatives include maternity leave, paternity leave, adoption leave, shared parental leave, time off for dependants, compassionate leave, and return to work incentives. For employees with at least one year of service: for maternity leave, we offer 21.5 weeks at full pay, followed by 17.5 weeks of statutory maternity pay, and a bonus of one month's salary on return to work; for paternity leave, we offer two weeks at full pay. In 2022, we expanded the scope of these policies to include menopause, fertility, and miscarriage.

We aim to support our portfolio companies on their D&I strategies (see page 29), and we engage with external organisations that are experts in this space. We are signatories of: Investing in Women Code, an initiative committed to supporting the advancement of female entrepreneurship in the United Kingdom; we support Oxford's Increasing Diversity in Entrepreneurial Activities (IDEA); we are engaging with Diversity VC on accreditation, which we hope to achieve in 2023; and since year-end, we have signed the Oxford Inclusive Economy Charter.

EMPLOYMENT QUALITY

In 2022, we began carrying out a bi-annual staff survey to monitor our employees' levels of satisfaction and to identify areas for improvement. We have been pleased that our results show high levels of satisfaction and engagement, with an overall rating of 69% in our year-end survey. The key area for improvement was learning and development; accordingly, one of our targets for 2023 is to define a learning and development strategy. Our strongest survey scores relate to our values and culture and we will continue to focus on developing these further during 2023.

We aim to support our employees in their career progression. We have a bi-annual appraisal process, which provides a forum for feedback, setting objectives, assessing alignment with OSE values, and identifying training opportunities. We also want to align our employees' incentives with those of our shareholders, so that they too can share in the success of OSE. We incentivise employees with an annual bonus, which during 2022 had elements linked to both individual performance and NAV growth (see page 62). We also offer benefits inclusing a pension plan; health care benefits, which includes a private healthcare scheme; access to the HBAC gym; a life insurance policy; and income protection insurance. Some employees are also rewarded with Long-Term Incentive Plans linked to the performance of the Company (see page 62).

AMBITIOUS

We aim high. We want to do impossible things.

RIGOROUS

We base our decisions on data and science.

HUMBLE

We respect the expertise of others. We listen and learn.

KIND

We think about WE, not me.

COMMUNITY DEVELOPMENT

We aim to foster innovation and growth within the Oxford community and our portfolio companies have created over 2,500 new jobs to date. We have invested in wet lab space and start-up office space, which we lease to portfolio companies at a commercial rate, as well as initiatives to encourage and support innovation including Enterprise Labs, IDEA, and the StEP Program. In addition, to help fund further research, we gift back to the founding departments 2% (pre-money valuation) of our stake in each successful business. Under certain conditions, if the department wishes to sell part of its stake for liquidity purposes, we offer to buy back 25% of the 2% stake at each successful fund raise.

HEALTH & SAFETY

We are committed to promoting and protecting our employees' health, safety, and welfare, and observe the Health and Safety at Work Act 1974. Our team is mainly office-based in Oxford, working in a low-risk environment. We recognise the importance of mental health; we aim to provide our employees with a safe space to ask for help, as well as resources and support, including access to mental health treatment via a private healthcare scheme.

HUMAN & LABOUR RIGHTS

We are committed to protecting and supporting human rights and labour rights. Our working conditions are in accordance with the Modern Slavery Act 2015 and we aim to ensure they exceed international labour standards. This includes zero tolerance for forced labour and child labour, and respecting the right of freedom of association.

Moreover, over the course of 2022, we have made progress in developing a sustainable procurement plan, which will be rolled out in 2023. This will assess suppliers against key ESG issues, including their approaches to environmental management, diversity and inclusion, modern slavery, cybersecurity, and anti-corruption.

DATA PRIVACY AND CYBERSECURITY

We are compliant with General Data Protection Regulation (GDPR) obligations and have had zero GDPR breaches in the last year. All employees are required to complete a training course on GDPR during their onboarding, as well as on Information Security and Cyber Risk Awareness. To ensure we prevent potential cybersecurity risks, we have implemented the Microsoft 365 Defender Suite and perform yearly penetration tests and quarterly phishing simulations. We have been certified by Cyber Essentials up to May 2022 and, since then, have been working towards Cyber Essentials Plus.

ADDITIONAL POLICIES

Further information on our approach to responsible business may be found in related policies:

+ Diversity & Inclusion Policy
+ Equal Opportunities Policy
+ Anti-Harassment and Bullying Policy
+ Flexible Working Policy
+ Modern Slavery Policy
+ Health and Safety Policy
+ Systems and Data Security Policy
+ Data Protection Policy
+ Employee Privacy Policy
+ Tax Transparency Policy
+ Code of Conduct
+ Anti-Corruption and Bribery Policy
+ Anti-facilitation of Tax Evasion Policy
+ Whistleblowing Policy

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We recognise the need to assess and integrate the impact of climate change into our business strategy, operations, and risk management processes. Accordingly, in 2021, we set a target and defined a roadmap to align with, and report against, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This TCFD disclosure is voluntary reporting, as OSE is not is scope of the mandatory TCFD disclosure legislation.
We are in the early stages of aligning with the recommendations of the TCFD. For this first year of voluntary reporting, we have provided high-level descriptions for the recommended disclosures across the four core TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets. Our focus was on assessing, qualitatively, the associated impact and management of climate-related risks and opportunities on OSE and our portfolio. Going forward, we will continue to evolve our climate governance and reporting, with the aim to advance the methods used to assess OSE's exposure to the financial risks and opportunities posed by climate change. For 2022, we have focused on aligning our company with the TCFD as far as possible, with more significant future evolution required in relation to our investment portfolio.

GOVERNANCE

TCFD RECOMMENDATIONS:

Disclose the organisation's governance around climate-related risks and opportunities.

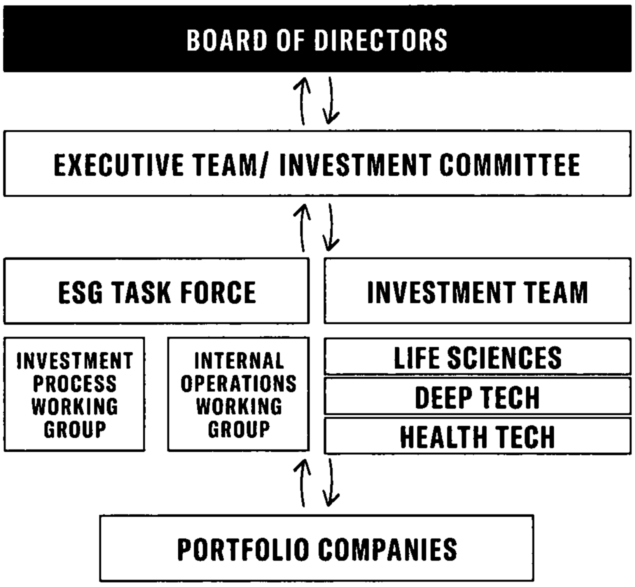
a. Describe the Board's oversight of climate-related risks and opportunities.
b. Describe the management's role in assessing and managing climate-related risks and opportunities.

The Board actively identifies and evaluates the risks inherent in the business, formally reviews these on at least an annual basis, and ensures that appropriate controls and procedures are in place to monitor and, where possible, mitigate these risks (see pages 44-45). As we work towards alignment with the TCFD recommendations, this process now also includes ESG issues, including climate-related risks and opportunities. The Chief Financial Officer is responsible for leading ESG at the Board-level, which is now a standing agenda item for all Board meetings (see pages 52-57 for additional information on OSE's governance structure). The Board has ultimate oversight of our approach to managing climate-related risks and opportunities, and recognises climate change as an emerging risk (see page 47).

At the company-level, we have developed an ESG Task Force, responsible for monitoring and implementing our ESG policy (see page 29; ESG policy available on our website). This includes an internal working group, and an investment process working group, consisting of representatives from the Executive Team, the Investment Committee, as well as key central functions - including Human Resources, Property, Investor Relations, and Legal.

For new investments, prior to approval, OSE's Investment Committee (IC) - consisting of members of the Executive Team (see page 53) - receives an Investment Memo (IM), which includes ESG- and impact-related findings, including those related to climate change. Specifically, as of Q4 2022, IMs now include an ESG & impact slide, whereby the investment team highlights the proposed investment's exposure to potential climate-related risks and opportunities (see page 29). These climate-related risks and opportunities vary across investments; though, typical climate-related issues identified for portfolio companies are highlighted in the tables on pages 38-40.

OSE GOVERNANCE STRUCTURE: CLIMATE RISK AND OPPORTUNITY MANAGEMENT



The above diagram illustrates our governance around climate-related risks and opportunities.

OUR FIRST YEAR OF VOLUNTARY TCFD REPORTING

In 2021, the Financial Conduct Authority issued rules on climate-related financial disclosures, aligned with the TCFD recommendations. These rules came into effect on January 1 2022, affecting FCA regulated asset managers, asset owners, and premium listed companies. As of 2023, these rules apply to firms with over £5 billion in AUM. While OSE is not in scope of this regulation, we recognise the need to take climate-related risks and opportunities into account, and report on this accordingly. As such, in 2022, we have voluntarily reported against the four overarching TCFD pillars for the first time, as per the 2017 TCFD Recommendations. These disclosures, and the assessments performed to determine OSE's climate risks and opportunities, are of a qualitative nature. We recognise there are gaps in how this initial disclosure aligns with the TCFD recommendations. We aim to evolve our reporting and analysis overtime, increasing our use of granular, quantitative assessments, and improving the comprehensiveness of our disclosures.

STRATEGY

TCFD RECOMMENDATIONS:

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

c. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
d. Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.
e. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The tables on the following pages highlight the actual and potential climate-related risks and opportunities that OSE is exposed to and describe, qualitatively, the impact these may have on the organisation, and how we aim to mitigate climate risks and harness climate opportunities. Our financial planning informs our business and strategy, and is reactive to the environment in an iterative manner. We will continue to assess these climate-related risks and opportunities as part of our risk framework (see pages 44–45), and aim to advance our analysis in the coming years.

We have considered both OSE as a company, as well as OSE's portfolio in aggregate, and we recognise that the associated impact resulting from each risk and opportunity will vary across different portfolio companies. Moreover, while the identified risks and opportunities are those that we deem to be most material across OSE and the portfolio as a whole (see page 41 for our approach to identifying and assessing climate-related risks), there are risks and opportunities not included below, which may be more relevant for specific underlying portfolio companies.

We have qualitatively assessed these risks over the short-term (0-5 years), medium-term (5-15 years), and long-term (15-30 years). We have assumed a 1.5°C, or net zero scenario (see definition in box below), for transition risks and opportunities, as it is under this scenario, with the most stringent policies, that we believe we would experience the highest level of impact. We have assumed a >3°C, or current policies scenario (see definition in box below), for physical risks, as it is under this scenario where we would experience the highest level of physical risks. Based on this initial assessment, we believe OSE's strategy is resilient to the identified climate risks, as we continue to evolve and put resources towards climate risk assessment, mitigation, and reporting. Moreover, we are in a position to benefit from the climate transiton, as we continue to invest in companies providing climate solutions.

SCENARIOS:

We took into consideration two scenarios: a net zero scenario, where climate policies are stringent; and a business-as-usual, or current policies, scenario, where we would experience the highest level of impact from physical climate risks. For the purpose of this report, we have referred to the scenario definitions from the Network for Greening the Financial System's Net Zero and Current Policies scenarios.

NET ZERO 2050:

Net Zero 2050 is an ambitious scenario that limits global warming to 1.5 °C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050. This scenario assumes that ambitious climate policies are introduced immediately.

CURRENT POLICIES:

Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks. Emissions grow until 2080 leading to about 3 °C of warming and severe physical risks.

SUSTAINABILITY REPORT

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TRANSITION RISKS - ASSUMING A NET ZERO SCENARIO

Risk	Specific Risk	Potential Impact and Mitigation	Level of Impact
POLICY & LEGAL	**INCREASED PRICING OF GHG EMISSIONS**	Increased pricing of GHG emissions is primarily a risk for later-stage companies in our Deep Tech portfolio, which may be energy-intensive (e.g. where technology requires high levels of cooling, or due to manufacturing activities) and so may experience increased operating costs. Given most OSE portfolio companies are early-stage, we believe this risk will have a low level of impact in the short-term. However, this risk may increase in the medium- to long-term as companies scale. We aim to reduce exposure to increased carbon pricing by engaging with new investments and portfolio companies, where possible, on emissions measurement and reduction, via ESG due diligence, workshops, and ESG data collection (see page 29). In 2023, we started including an ESG clause in transaction documents, which requires the company to measure its carbon footprint (see page 29).	**LOW**
POLICY & LEGAL	**ENHANCED REPORTING OBLIGATIONS**	Enhanced reporting obligations will require both OSE and our portfolio companies to commit time and resources to comply with emissions- and climate-related reporting requirements (e.g. TCFD, SECR, SFDR, SDR). This is more of a risk to OSE in the short-term, given the early-stage of our portfolio, though we expect this to have a higher level of impact on portfolio companies, given the time and resource constraints start-ups experience in times of expansion. This year we appointed an ESG Task Force, where we review ESG and climate reporting and integration requirements (see page 28). We have also begun collecting ESG, including climate, data from our later-stage companies, and aim to flag ESG and climate requirements to our new investments during ESG workshops (page 29). We see these reporting obligations as an opportunity to support portfolio companies as they navigate the sustainability reporting landscape, as well as to showcase our approach to ESG, including climate, integration to all stakeholders.	**MEDIUM**
MARKET	**INCREASED COST OF ENERGY AND/OR RAW MATERIALS**	The current energy crisis has highlighted that the increased cost of energy, and raw materials, is a risk we are seeing in the short-term. While we do not see this as a material risk for OSE, we recognise this may impact portfolio companies through increased operational costs – particularly those that are later-stage, energy-intensive, and/or have a global supply chain. As companies scale, this risk may increase in the medium- to long-term. We aim to mitigate this risk by assessing whether new investments are energy intensive or require the use of raw materials, and engage with new investments on emissions reduction and sustainable procurement practices (see page 29). As mentioned above, starting in 2023, transaction documents include an ESG clause (see page 29).	**LOW**
REPUTATION	**INCREASED STAKEHOLDER EXPECTATIONS**	Increasing stakeholder expectations on climate strategies is a risk for both OSE and its portfolio. We recognise that if we fail to meet these expectations, this could harm OSE's reputation, which could result in decreased access to capital, talent, and investment opportunities. We see this as a potential risk in the short-term; however, we recognise that the level of impact resulting from this risk may increase overtime, as stakeholder expectations change. We have made progress in mitigating this risk by integrating ESG throughout the investment process (see page 29), as well as expanding the scope of our sustainability reporting. Moreover, to ensure we integrate stakeholder feedback, we have begun engaging with shareholders on ESG. We aim to expand on these efforts, including by engaging with the investment team members on how to better identify and mitigate ESG, including climate, risks, and promote ESG and climate-related opportunities.	**MEDIUM**

PHYSICAL RISKS – ASSUMING A >3°C SCENARIO

Risk	Specific Risk	Potential Impact and Mitigation	Level of Impact
ACUTE	**INCREASED SEVERITY OF EXTREME WEATHER EVENTS**	We see the acute, physical risks resulting from climate change as primarily a risk for portfolio companies, rather than OSE, given the potential exposure to supply chain disruptions. While COVID-19 and recent geopolitical events, such as the war in Ukraine, have shown that portfolio companies are resilient to such disruptions, we recognise that, especially under a >3°C scenario, severe weather events will be increasingly prevalent, and these may lead to supply chain disruptions and delays, which could reduce production capacity, thereby reducing revenue. As the physical effects of climate change worsen overtime, we expect the level of impact to also increase. To mitigate our exposure to this risk, we aim to identify whether new investments are exposed to physical risks resulting from climate change, including exposure to supply chain risks, in our IMs and engage with the company accordingly in ESG and impact workshops (see page 29).	**MEDIUM**
CHRONIC	**VARIABILITY OF WEATHER PATTERNS**	OSE and the majority of our portfolio companies are located in Oxford, which is exposed to flooding and heatwaves. With heatwaves across the UK in 2022, we have seen firsthand how these weather patterns affect infrastructure (e.g. reduced train services), preventing many employees from being in the office. We see this as low risk in the medium-term and expect this risk to primarily affect companies where employees involved in R&D need to go into the lab, which could reduce production capacity and decrease revenue. COVID-19 has proven OSE's, and portfolio companies', ability to work remotely. We will continue to assess the materiality of this risk to OSE and portfolio companies though our ESG Task Force, due diligence, and engagement (see page 29).	**LOW**

SUSTAINABILITY REPORT

CONTINUED

OPPORTUNITIES – ASSUMING A NET ZERO SCENARIO

Opportunity	Specific Opportunity	Potential Impact and OSE Approach	Level of Impact
PRODUCTS & SERVICES	**CLIMATE AND CLEANTECH INVESTMENT OPPORTUNITIES**	One of OSE's goals is to protect the future of our planet (see page 30 for example companies and metrics tracked); within this goal, we have invested over £105 million in 13 companies, which develop a range of clean- and climate technologies, including but not limited to: fusion energy, agtech, natural capital modelling, and solar thermal receivers. Given our business model – to found, fund, and build companies solving the world's challenges – and our access to world-leading science and talent, we believe we have a massive opportunity to invest in companies accelerating decarbonisation. We see the potential impact of this opportunity as particularly high in the short-term, though believe it will continue to be an opportunity overtime as these companies scale, and as we uncover new climate science and technology in the University Departments. Inherently, our business model enables us to harness this opportunity, both to uncover these opportunities – through early access to Oxford science, engagement with academics, and landscaping to identify areas of market need – and to scale the impact these companies can have, including by bringing in specialist talent and investors. More recently, we now also assess whether and how the company will contribute to our goal, to protect the future of our planet, in IMs, and engage with the company on how this can be measured and monitored in ESG & impact workshops (see page 29).	**HIGH**
PRODUCTS & SERVICES	**SHIFT IN CONSUMER PREFERENCES**	We believe that the shift in consumer preferences is primarily an opportunity for our cleantech and climate-tech companies in the short-term. These companies (see page 30 for example companies) are, and will continue to, benefit from increased demand from consumers requiring more efficient, low-carbon processes. To ensure our companies continue to benefit from the increased demand for climate solutions, where possible, our investment team may support the company to identify business development opportunities, and introduce the company to potential corporate partners. Moreover, the team may engage with these partners to understand areas of market need.	**MEDIUM**
MARKETS	**ACCESS TO NEW POOLS OF CAPITAL**	By investing in companies developing climate-tech (see page 30), and by integrating ESG (including climate) considerations through the investment process (see page 29), both OSE and our portfolio companies have the opportunity to access new pools of capital. We see this as opportunity as especially high in the short-term, as sustainable finance and climate-related regulation is rolled out across the UK and EU. We aim to harness this opportunity by continuing to expand the scope of our ESG, including climate, initiatives and reporting, and support our portfolio companies to do the same. Moreover, through our co-investors function, we support our companies in bringing in specialist pools of capital (see pages 12-13).	**HIGH**
MARKETS	**USE OF PUBLIC-SECTOR INCENTIVES**	The increased use of, and access to, public-sector incentives is primarily an opportunity for portfolio companies, rather than OSE directly. While our portfolio companies, across sectors, benefit from government R&D funding, the opportunity associated with funding for low carbon technology will be limited to our early-stage cleantech and climate-tech companies. Our investment team aims to stay up to date on government funding opportunities, and will engage with the relevant portfolio company management to access these incentives.	**LOW**

RISK MANAGEMENT

TCFD RECOMMENDATIONS:

Disclose how the organisation identifies, assesses, and manages climate-related risks.

a. Describe the organisation's processes for identifying and assessing climate-related risks.
b. Describe the organisation's processes for managing climate-related risks.
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

The climate risks and opportunities, as outlined on pages 38-40, were identified and assessed through a series of internal stakeholder interviews and a workshop. To ensure a comprehensive view of OSE and its portfolio, stakeholders interviewed included representatives from the Executive Team; key central functions including Finance, Legal, Property, and Investor Relations; as well as investment team members from both Life Sciences and Technology. These interviews resulted in a long-list of potential risks and opportunities, with detail from each interviewee on how each risk or opportunity could impact OSE or the portfolio, and to what degree. This resulted in a short-list of risks and opportunities, which were qualitatively assessed based on their potential impact, followed by discussion of existing or future mitigations. We recognise climate change as an emerging risk and will continue to assess climate-related risks and opportunities as part of our risk framework (see pages 44-45).

In terms of OSE's investment process, for new investments, the investment team performs a high-level, initial assessment of the proposed investment's exposure to climate risks and opportunities (see page 29). Material risks are presented to the Investment Committee, which is responsible for assessing material risks and opportunities, including those related to ESG and climate change, prior to approval. We began this process in 2022 and we aim to further engage with the investment team on how to best integrate and assess ESG factors, including climate-related issues, over the coming year.

Once the company is within our portfolio, we aim to identify and monitor ESG-, including climate-, related risks through ESG & Impact workshops; collecting ESG data from late-stage (Series B+) companies, annually; as well as by leveraging our Board positions to continue to engage with the company (see page 29). We are working to evolve our approach to measuring, monitoring, and supporting our portfolio companies as it relates to climate-related risks.

METRICS AND TARGETS

TCFD RECOMMENDATIONS:

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

2022 was our first year collecting ESG data from our late-stage (Series B+) companies. We used the ESG_VC framework, which includes a breadth of climate-related metrics to assess climate performance across the portfolio. ESG_VC climate-related metrics include, but are not limited to, whether the company: measures its carbon footprint, and if, so what its Scope 1-3 emissions are; has set, and is working towards, a net zero target; and/or uses carbon offsetting tools. In terms of climate-related opportunities, we track our progress in investing in companies aligned with our goal to protect the future of our planet (see page 30), namely the amount invested by OSE, the amount invested by external investors, the overall valuation of companies, and the number of companies.

We remain focused on measuring OSE's GHG emissions, which to date has consisted of OSE's Scope 1, Scope 2, and select Scope 3 emissions. Our emissions breakdown can be seen on pages 27 and 32. However, we recognise that the most material source of emissions will be Scope 3: Category 15 - Investments, otherwise known as financed emissions. We have made progress in 2022 in engaging with portfolio companies, through ESG & impact workshops and ESG data collection, on measuring their emissions (see page 29). In the coming years, as we continue to engage with and our support to portfolio companies, we also aim to expand the scope of our emissions measurement and reporting to include, where possible, financed emissions.

Given this, we have set some key targets to manage and monitor our climate-related risks and opportunities, including:

+ *Continue to measure and report OSE's emissions, and expand on* this to include the measurement and reporting of portfolio-level emissions data, where possible.
+ Expanding the scope of our climate risk and opportunity assessment.
+ Developing a climate reduction strategy, including committing to a net zero target.

FINANCIAL REVIEW

JIM WILKINSON
Chief Financial Officer

While the Company is an investment company and therefore prepares statutory stand-alone company financial statements, the Directors manage the whole Group and portfolio as one. On the introduction of the LTIP in 2020 a subsidiary, OSI Services Limited, was created. OSI Services Limited holds 24.9% of OSE's equity investments. Under IFRS 10, OSI Services Limited cannot be consolidated with OSE and is measured at fair value, through an intermediate holding company, OSI Midco Limited. Therefore, the business review has been prepared on a pro forma basis, see page 112, as we consider this gives the most comprehensive review of performance of OSE as a whole.

The Company's section 172 statement is detailed on page 68, which outlines how the Company has engaged with multiple stakeholders.

PRO FORMA STATEMENT OF COMPREHENSIVE INCOME

Overall, OSE recorded profit before taxation of £128.2 million (2021: £17.5 million, which included the exit of Miro Bio and DJS Antibodies) and a NAV (Net Asset Value) at year-end of £1.27 billion (2021: £893.3 million).

A summary analysis of OSE's pro forma financial performance during the year is provided below:

	2022 £'000	2021 £'000
Revenue from services and other income	**4,910**	2,846
Changes in fair value of equity investments[2]	**12,882**	34,220
Realised gains on equity investments[2]	**138,342**	10,615
Changes in fair value of financial instruments	**6,775**	392
Adjusted administrative expenses[1]	**(20,798)**	(19,483)
LTIP charge accrual	**(19,282)**	(9,564)
Share-based payment credit (charge)	**1,533**	(749)
Net finance income/(costs)[1]	**3,847**	(787)
Profit before taxation	**128,209**	17,490

Revenue from services and other income comprises property fees from incubator, rent, legal and administrative support. Revenue from services and other income for the year increased to £4.9 million (2021: £2.8 million).

An analysis of fair value gains and losses is provided in the Portfolio Review on page 18. The realised portfolio gains related to the sale of MiroBio and DJS Antibodies. Realised gains in 2021 included the exit of Yasa to Mercedes.

EXPENSES

Adjusted administrative expenses[1] increased to £20.8 million from £19.5 million in 2021. There was an increase in staff costs from £7.5 million to £9.3 million as a full-year charge of the management team was incurred. The average number of employees increased from 40 to 46 as the investment and central teams were strengthened. Other administrative expenses decreased from £11.1 million to £10.2 million primarily due to more efficient investment processes in the legal department.

The total expenses have been affected by adjustments to the new Long-Term Incentive Plan (LTIP) including the discounted net present value of an updated view of the forecast realisations. The LTIP requires that the initial investment cost plus an annual charge be repaid before any payments are made. Due to the two exits in the year at a significant increase to FY21 fair value, the charge increased to £19.2 million (2021: £9.6 million).

Changes in fair value of financial instruments[2] is up to £6.8 million from £0.3 million due to an increase in revaluations of CLNs, notably Oxford Quantum Circuits which had a valuation cap on conversion.

[1] To supplement performance assessment, Oxford Science Enterprises uses Alternative Performance Measures (APMs), which are not defined under IFRS. APMs are indicated in this document with an asterisk (*); definitions and further details are provided on page 115.
[2] On a pro forma Basis. Please refer to pro forma financial statements on page 112 for an explanation of the pro forma basis.

PROPERTY

Around half of the portfolio companies are focused on Life Sciences and require specialist laboratory buildings (wet-labs) to develop their products. There is a significant shortage of suitable wet-labs in Oxfordshire so OSE has developed two properties for use by our portfolio companies. In 2022, all of the buildings were fully sub-let following the completion of the fit-out of the Sherard building in 2021.

PRO FORMA STATEMENT OF FINANCIAL POSITION

The Company ended the period with net assets attributable to shareholders of £1.27 billion (2021: £893.3 million) a net increase of £378 million (2021: £17.5 million) due to the £250 million fundraise in July 2022 and profit after tax of £128 million (2021: £17.5 million). During the year, OSE invested[1] £161 million (2021: £146 million) into the portfolio, increasing the investment value but reducing the cash balance by an equivalent amount and therefore not affecting the NAV. The portfolio companies saw a net fair value gain[1] of £12.9 million (2021: £34.2 million) with a gross value increase of £133.7 million (2021: £83.3 million) being offset by impairments of £63.9 million (2021: £44.2 million) being made on non-performing investments, where values decreased in line with the market, and a £56.8 million (2021: £4.9 million) decrease in the publicly listed assets. A large part of the impact was due to weakness in Vaccitech's share price, with PepGen (listed in May 2022) proving more resilient helped by positive data readouts.

The other significant factors in the movement of net assets attributable to shareholders were the sale of investments, with those of MiroBio and DJS Antibodies which realised gains[1] of £138 million (2021: £10.6 million) being the most significant. Partially offsetting this was £38.5 million (2021: £29.8 million) of administration expenses (including LTIP and share-based payment charges) covered earlier.

At 31 December 2022 the Company held cash and deposits[1] of £467 million (2021: £242 million) and a portfolio of investments in 110 private technology companies and other investments (2021: 102). The portfolio valuations[1] were £785 million at the year-end (2021: £618 million).

During the year, the Company supported portfolio companies by providing CLNs valued at £7.7 million (2021: £13 million) at year end to allow additional runway for portfolio companies to reach milestones.

The equity rights asset represents the embedded value in the contracts entered into by OSE, the University of Oxford and Oxford University Innovation Limited on 18 March 2015. The contract gives OSE half of the University's founding shares in every spin-out from the science departments in return for a 5% non-dilutable stake in OSE. This right lasts until 18 March 2030, though the University has the capability of extending the contract for another 15 years in return for another 5% of OSE shares. Management has developed a valuation model based on a number of key assumptions and, as described more fully in note 15 to the Company's financial statements, have determined the fair value of the contract as at 31 December 2022 to be £27 million (2021: £12.9 million).

The University's option to extend the contract beyond 2030 is held at fair value through profit and loss and measured using a Black-Scholes model, with a strike price calculated as the projected equity rights value (key assumptions are consistent with the Equity Rights Asset shown in note 15). During the year, the Company recognised a £15.5 million (2021: nil) liability for the fair value of this option.

CASH, CASH EQUIVALENTS AND SHORT-TERM DEPOSITS ('CASH')

The principal constituents of the movement in cash during the year are summarised as follows:

	2022 £m	2021 £m
Net cash used in operating activities [1]	**(6.0)**	(13.1)
Net tax paid[1]	-	(22.4)
Net cash used in investing activities [1]	**(160.7)**	(146.3)
Other net cash movements from investing activities [1]	**4.0**	0.2
Realisations during the year [1]	**142.8**	20.3
Issue of share capital[1]	**249.8**	-
Other [1]	**(2.3)**	(2.2)
Movement during period	**227.6**	(163.5)

In addition to the short-term cash balances, the Company held £125.5 million (2021: £128.6 million) on deposits with notice periods of over three months.

At 31 December 2022, cash and deposits totalled £467 million (2021: £242 million), with the increase in 2022 predominantly due to the sale of MiroBio and DJS Antibodies and the £250 million fundraise. 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 requirements of the Company's treasury policy.

FUNDRAISE

The company raised £250 million from new and existing investors, with completion on 11 July 2022. The purpose of raising the additional cash was to allow for further investment as the portfolio continues to mature. The amount raised is expected to fund two years of forecast investment into the portfolio.

The raise was completed at the March 2022 NAV per share of £1.50. Costs associated with the fundraise were less than £1 million as no financial advisers were used.

PRO FORMA BASIS AND ALTERNATIVE PERFORMANCE MEASURES ('APMS')

In our Strategic report we report our financial performance using our pro forma basis. We do not consolidate our subsidiary, OSI Services Limited, which holds 24.9% of the equity investment; as it doesn't provide services to OSE plc. IFRS 10 provides an exception from consolidation but requires us to fair value OSI Services Limited. As described in the pro forma basis, the total comprehensive income and net assets are the same under our audited IFRS financial statements and our pro forma basis. The pro forma basis is simply a 'look through' of IFRS 10 to present the underlying performance and provides further useful information to readers of our Annual Report and Accounts.

In October 2015, the European Securities and Markets Authority ('ESMA') published guidelines about the use of APMs. These are financial measures such as KPIs that are not defined under IFRS. Our pro forma basis is itself an APM, and we use a number of other measures which, on account of being derived from the pro forma basis, are also APMs.

Further information about our use of APMs, including the applicable reconciliations to the IFRS equivalent where appropriate, is provided at the end of the financial statements on page 115.

RISK MANAGEMENT

2022 in review

In early 2022, under oversight from the Audit Committee, OSE reviewed and formalised its risk management framework, establishing an annual cycle of risk management, which is illustrated opposite. OSE determined its risk appetite in various areas, which is set out opposite.

In early 2022, OSE also undertook a comprehensive review of its risk register, identified the key risks to the business, and implemented a programme to mitigate key risks where they exceed risk appetite. These key risks and mitigating actions were again reviewed in June 2022, to ensure that up-to-date information was provided to shareholders in connection with the fundraising. The key risks affecting the business and mitigating actions are set out on pages 46 to 47 below. The Audit Committee received updates throughout the year regarding OSE's risk profile and progress with mitigating actions. During 2022, the Audit Committee also placed particular emphasis on ensuring that treasury and financial controls are fit for purpose, as well as focusing on valuation of portfolio companies, one of the more significant areas of judgement in OSE's financial reporting.

2022 saw significant changes in the macro-economic environment, with high inflation and the cost-of-living crisis. Within the industry, there was a general and significant reduction in the valuation of Life Sciences assets in spring 2022, followed by a similar reduction in the valuations of Tech assets in autumn 2022, both of which were most clearly seen on the public markets. In light of these sudden changes in the economic environment, changes and movement in key risks, and the way in which OSE mitigates risks to its business, were reviewed by the Audit Committee in December 2022. During 2022, conditions for capital raising in the market became increasingly challenging and as a result some portfolio companies experienced delays to execution of planned fundraisings. Against this backdrop, it was encouraging to see a continued appetite for OSE's portfolio company fundraises which continued to attract investment from specialist investors. Investors still have significant cash available to deploy in the sectors covered by OSE. Nine of OSE's largest 15 private portfolio companies (by reference to NAV) completed funding rounds in 2022, leaving a significant portion of the portfolio well funded as we navigate this challenging economic environment.

Looking ahead, the ability of portfolio companies to raise funding is likely to be challenged by low valuations and availability of capital from industry and investors; this situation will be exacerbated by portfolio companies requiring more funding than anticipated to meet increased costs. OSE may be required to increase the amount it invests in early-stage portfolio companies in the coming period, to ensure that promising innovations continue to develop; this also represents an opportunity to increase OSE's stake in portfolio companies during a period of low valuations.

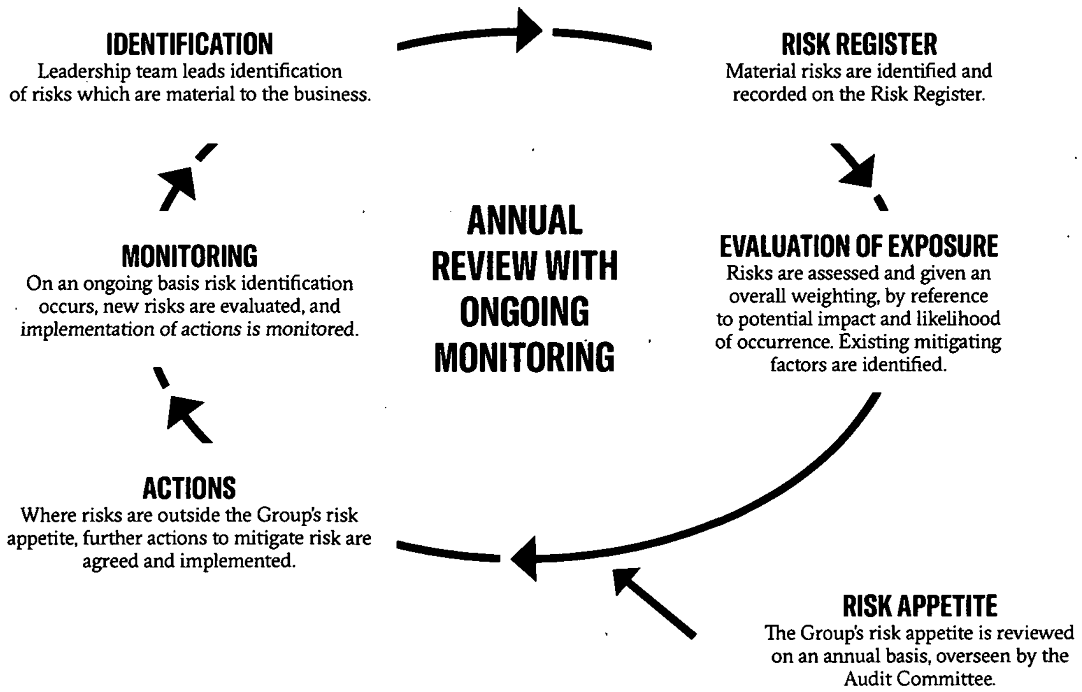
It was expected that proposed changes to the R&D tax credit regime announced in autumn 2022, which particularly targeted early-stage companies, would adversely affect many portfolio companies, making R&D significantly more costly. OSE participated in several industry initiatives designed to highlight to government the negative impacts of these changes in policy on innovation. OSE welcomes recent announcements that the previous levels of R&D tax credit will remain available to knowledge intensive companies, which is expected to encompass OSE portfolio companies.

GOVERNANCE AND RISK MANAGEMENT FRAMEWORK

OSE's risk management is led by the Chief Financial Officer, with oversight from the Audit Committee and the Board. Implementation of the risk management framework is led by the Head of Legal and Company Secretary, and operation of the Business Continuity Plan is led by the Head of Property. The Audit Committee oversees implementation of the risk management framework. The Audit Committee and the Board receive reports regarding the key risks affecting the business, mitigating actions and progress with these, and reviews the Company's risk appetite on an annual basis. The Audit Committee also receives reports from the Company's auditors regarding their assessment of the risks affecting the business, and reports its findings to the Board.

The annual cycle commences with an annual review and evaluation of risks affecting the business. In light of the small size of the OSE team and contained nature of the business, this exercise is top-down, led by the leadership team, including sector heads, and also involves specialists from areas of OSE's operations including property, finance and legal. Risks are assessed, and where outside risk appetite, actions to mitigate risk are agreed and implemented. Risks, and changes in circumstances, are monitored on an ongoing basis throughout the year.

RISK MANAGEMENT FRAMEWORK



In line with its strategy of investing in early-stage innovation, OSE has a high appetite for risk relating to investment. This risk is mitigated by ensuring that the portfolio is diverse – OSE invests across Life Sciences, Deep Tech, and Health Tech; and that investment is spread across a large number of opportunities – the company has 110 companies in the portfolio, with a maximum exposure being 7% of NAV.

OSE has a very low-risk appetite in relation to financial, legal, regulatory, ethical and reputational matters. In 2022, the Audit Committee placed a strong focus on internal controls, which is discussed further on pages 58 to 61 of this Annual Report. For 2023, an internal audit of cyber risks is planned.

BUSINESS CONTINUITY

OSE operates a Business Continuity Plan covering incident, crisis and business interruption response, this determines the governance structures, guiding principles, communications, and post-incident review procedures relating to an incident response. The Business Continuity Plan is updated annually and continuously maintained.

RISK APPETITE

EARLY-STAGE INNOVATION
AVAILABILITY OF CAPITAL
STRATEGIC
OPERATIONAL
TALENT
CLIMATE / ENVIRONMENTAL
GOVERNANCE
FINANCIAL CONTROLS
IT / CYBER
LEGAL / REGULATORY / ETHICAL

RISK MANAGEMENT

CONTINUED

PRINCIPAL RISKS AFFECTING THE BUSINESS

The principal risks affecting the business have not changed since last year, though the level of risk has increased in certain areas, in light of the broader global and financial environment.

RISK	CURRENT ENVIRONMENT AND MITIGATIONS	YEAR-ON-YEAR MOVEMENT
1.AVAILABILITY OF CAPITAL TO OSE AND TO PORTFOLIO COMPANIES	The availability of capital to OSE and to portfolio companies is a long-term risk to the success of OSE's business model. Whilst OSE remains well funded in the immediate term, it will need to deliver realisations to fund future investments, failing which it may need to raise further funding. We are currently seeing a continued appetite for portfolio company fundraises, and it will be important for the long-term success of these companies and the OSE business model that this is sustained. 2022 delivered a volatile global and financial environment, including sudden high inflation and the cost of living crisis, as well as instability resulting from the war in Ukraine. Spring saw falling valuations for Life Sciences assets, followed by the same for Tech assets later in the year. These factors drove caution from investors, resulting in delays to some of OSE's portfolio companies' funding rounds. High inflation and increased cost of living will also drive cost increases for portfolio companies, in some cases reducing cash runway and driving increased need for funding. 2022 also saw strong M&A activity in the early-stage Life Sciences space. OSE divested DJS and MiroBio in 2022, delivering realisations[1] to OSE of £143 million. Looking forward, volatility in the global and financial environment and depressed valuations are expected to continue in the short term. OSE's cash and deposits[1] as at 31 December 2022 was £467 million (31 December 2021: £242 million), which was bolstered in 2022 through the £250 million fundraising and divestments of DJS and MiroBio. This strong cash position leaves OSE well-placed to continue to implement its strategy of developing new spin-outs and investing in portfolio companies. The availability of capital to portfolio companies is likely to remain challenging. This may result in pressure on cashflows, as well as increased capital demands on OSE, which is, in many cases, the largest investor in these companies. In some cases, OSE expects to benefit from investing in significant stakes in early-stage businesses at low valuations. There is a possibility that lower valuations may delay exit opportunities. Nine of OSE's largest 15 private portfolio companies (by reference to NAV) completed funding rounds in 2022, leaving a significant portion of the portfolio well-funded as we navigate a challenging economic environment. It is likely, in the current economic environment, that some reduction in availability of capital will be experienced. However, it is considered highly unlikely that the availability of capital will reduce to a degree which would have a significant impact on the prospects of the portfolio.	Reduced for OSE as a result of significant cash balances. Increased for portfolio companies in light of the global and financial environment and depressed valuations.
2.AVAILABILITY AND RETENTION OF TALENT FOR OSE AND PORTFOLIO COMPANIES	The quality and incentivisation of portfolio company management teams is a key driver of success. In May 2022, OSE appointed a new Chief Talent Officer, Sarah Shackelton, who supported portfolio companies with many key C-Suite hires during the year. When OSE establishes spin-outs, it implements long-term incentive plans which are designed to align the interests of shareholders and management, rewarding loyalty and retaining talent, including through the use of leaver provisions, share and option vesting periods (typically five years), and delivering rewards on exit. The retirement from OSE of Alexis Dormandy as CEO in December 2022 may result in some short-term instability and risk to talent retention within OSE. This risk is being mitigated through increased Board involvement with the business, with Rich Laxer chairing the Executive Team on an interim basis as recruitment of new leadership is progressed. The reputation of Oxford University and the quality of the portfolio companies continue to attract talent to both OSE and the companies themselves, and as portfolio companies increasingly demonstrate success through IPOs and exits, this effect is expected to further increase.	Decreased for Portfolio Companies. Short-term increased risk for OSE as a result of management changes.

1 To supplement performance assessment, Oxford Science Enterprises uses Alternative Performance Measures (APMs), which are not defined under IFRS. APMs are indicated in this document with an asterisk (*); definitions and further details are provided on page 115.

RISK	CURRENT ENVIRONMENT AND MITIGATIONS	YEAR-ON-YEAR MOVEMENT
3.RISK OF FAILURE ASSOCIATED WITH EARLY-STAGE INNOVATION	OSE's strategy to invest in early-stage innovation carries inherent high exposure to investment risk. This risk is mitigated by ensuring that the portfolio is diverse, with investment spread across the Life Sciences, Deep Tech and Health Tech sectors. Investment is spread across a large number of opportunities - the company has 110 companies in the portfolio. Investment concentration is a key factor in investment decisions, and the deployment of investment amounts exceeding 5% of NAV, or which result in a portfolio company comprising more than 5% of NAV, require Board approval. It is highly likely that certain portfolio companies will not succeed in the long-term. Due to the diversity and breadth of OSE's portfolio, the impact of this is not expected to be material, though failure of late-stage higher value companies could have a more material effect on OSE.	No change.
4.KEY RELATIONSHIPS AND REPUTATION INCLUDING WITHIN OXFORD UNIVERSITY	A major aspect of OSE's efforts continue to be focused on maintaining strong relationships within Oxford University, particularly the Mathematical, Physical and Life Sciences (MPLS) and Medical Sciences (MSD) divisions, to identify opportunities early. OSE has a collaborative relationship with Oxford University Innovation (OUI). In early 2022, OSE agreed with OUI standard terms for Oxford University spin-outs, including the key equity investment and IP licence terms. This has resulted in increased alignment between OSE and OUI, and smoother spin-out processes. The likelihood of serious relationship and reputational issues arising is thought to be low.	Decreased.
5.AVAILABILITY OF RESEARCH FUNDING TO OXFORD UNIVERSITY AND IMPACT OF THIS ON OSE PIPELINE	During 2022, there have been no significant changes to risk in this area. Pressure on public finances presents an increased threat to research funding across the UK. Oxford University's strong reputation and long history supports a healthy research funding environment. The amount of research funding available to the University continues to increase year-on-year. Government policies remain supportive of investment in innovation, particularly in the Life Sciences and Tech sectors, whilst the Levelling-Up agenda presents a threat to funding across the south of England. It is likely, in the current economic environment, that the availability of funding to the University will be challenged in the coming period. However, the University and its Colleges have long-term funding models, and are expected to be able to substantially continue the development of intellectual property and opportunities, with minimal impact to the OSE pipeline.	No change.

OSE recognises the changing climate as an emerging area of significant risk, both for OSE and for portfolio companies. OSE considers transition, physical, strategic and other risks and assesses risks over the short (0-5 years), medium (5-15 years), and long (15-30 years) term. Transition risks are assessed using a net zero (1.5°C) scenario, and physical risks using a >3°C scenario, each being the more impactful scenario in the relevant area for OSE. The TCFD report on pages 36 to 41 of this Annual Report describe the key climate-related risks facing the Company.

OSE continues to monitor the risk presented by COVID-19 to its operations, and to portfolio companies. OSE adapted swiftly to virtual working at the start of the pandemic, and remains able to adapt extremely swiftly to a change in conditions and implement virtual working. The office remained open throughout 2022, with a policy that employees spend at least three days per week working from the office.

Following ending of the Brexit transition period in January 2021, OSE and its portfolio companies have not experienced significant effects on business and financial performance as a result of changes to international trade arrangements. It is expected that, on an ongoing basis, Brexit may make it more challenging for UK companies to attract talent from abroad, particularly from Europe, and that the inflow of capital from European sources may remain reduced.

This Strategic Report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved by the Board and signed on its behalf.

CHRIS CHAMBERS
Chair of the Board

21 June 2023

BOARD OF DIRECTORS

The OSE Board has extensive international investment experience across public markets, venture capital, and private equity. It includes representatives from Oxford University with deep understanding of both the science departments and workings of the university and ecosystem.

Over the last year, we have added additional experience in venture capital and financial services with the appointments of Heather Preston (November 2021) and Rich Laxer (April 2022), who between them have spent more than 65 years within the investment industry. They replaced three of our founding Directors, Pete Davies, Alan Aubrey and Giles Kerr, who stepped down from the Board during 2021.

In December 2022, Alexis Dormandy retired from OSE. The Board, guided by the Nominations and Remuneration Committees, is actively recruiting for new leadership. During the intervening period, Rich Laxer is acting as Chair of the Executive team, to ensure strong communication between the Board and Executive, and enhanced Board oversight of the operations of the business.

In February 2023, Sir John Bell stepped down from the Board to focus on other commitments. We expect a third representative from the University of Oxford to be appointed in his stead in due course.

Christopher Chambers

Chair of the Board

N R

Chris has been on the Board of OSE since its foundation in 2015. He acted as Executive Chair from February 2020 to October 2020, and has held the role of Non-Executive Chair since then.

Chris has extensive experience in leading and advising global financial institutions. Chris is the Chair of Lonrho, the African conglomerate, and of Leonteq, the Swiss structured products business. He is also a member of the Supervisory Board of Swiss Prime Site. Chris started his career in investment banking at Barclays de Zoete Wedd. He was Head of European Equity Capital Markets at Credit Suisse before becoming CEO of Man Investments, the global hedge fund, and member of the Man Group's main Board. Chris is also a fellow of the Royal Society of Arts.

Jim Wilkinson

Chief Financial Officer

Jim joined OSE as Chief Financial Officer at its foundation in 2015. He acted as interim CEO from November 2019 to December 2020.

Jim has over 30 years of experience in the commercial sector. He was formerly CFO of a number of listed companies, including Informa Group, of which he was a founder Director; Sportingbet; Johnson Service Group; and IBC Group. Jim was also CFO at Lonrho after it was taken private in 2013. Jim trained as an accountant with Deloitte, where he worked for eight years.

Richard Laxer

Non-Executive Director

R

Rich joined the Board of OSE in April 2022. Whilst the CEO search is ongoing, Rich is acting as Chair of the Executive team, taking a more active role in overseeing the leadership of the business.

Rich is a veteran of GE Capital, serving the company for 34 years before retiring as CEO and Chairman in 2018. At GE Capital, Rich held a number of senior executive roles across the US, Asia and Europe, leading global teams to develop and execute financing strategies that were critical to the success of a broad range of multi-billion-dollar world-leading businesses. Since leaving GE Capital, Rich has used his experience and expertise to advise companies which are using cutting-edge and innovative technologies to disrupt the financial services industry. Rich has served as a senior adviser to Warburg Pincus and is currently a Non-Executive Director to three of its portfolio companies: Vodeno Technology; Aion; and Singular Bank. Rich holds a Bachelor's degree in Business, with a minor in Economics from Skidmore College, Saratoga Springs, New York, US.

A Audit Committee Member

N Nomination Committee Member

R Remuneration Committee Member

Chair of Committee

Bernard Taylor, CVO CBE DL FRSC

Non-Executive Director

R A N

Bernard was one of the co-founders of OSE, and has been on the Board since its foundation in 2015.

Bernard has over 40 years of experience in managing companies and providing corporate finance advice to UK and major international companies. He was previously Vice Chairman of JP Morgan Chase and CEO of Evercore Partners International, which he founded as a start-up called Braveheart Financial Services, and where he remains the Chairman Emeritus. He is a retired member of the Council of the University of Oxford (trustee) and a current member of the University's Remuneration Committee, Finance Committee, Mathematical, Physical and Life Sciences Division Board, Medical Sciences Division Board and a Director of Oxford University Endowment Management. Bernard is a past Chairman of the Ashmolean Museum, of the Royal Commission for the Great Exhibition of 1851, and of Garsington Opera. He remains Chairman of the Advisory Board of the Royal Society, and Chairman of Thomas White Oxford Ltd and of its joint venture with Stanhope plc and Cadillac Fairview. He is Deputy Steward of Oxford University, Deputy Lieutenant of Oxfordshire and an Honorary Fellow of St. John's College. Bernard holds an MA in Chemistry and Doctorate in Civil Law, honoris causa, from the University of Oxford, and is a Fellow of the Royal Society of Chemistry.

Simon Boddie

Non-Executive Director

A

Simon joined the Board of OSE in late 2021.

Simon is Chief Financial Officer of Oxford University. He is a Non-Executive Director of Learning Technologies Group plc, an AIM listed market leader in the fast growing workplace digital learning and talent management market. Prior to joining Oxford University, Simon was on the boards of FTSE 250 businesses for 15 years. From 2016 he was CFO of Coats Group plc, the world's leading industrial thread manufacturer, and previously Group Finance Director of Electrocomponents plc (now RS Group), the global multi-channel provider of industrial and electronic products and solutions. He was also a Non-Executive Director and Chairman of the Audit Committee of Page Group plc, a listed International professional recruitment company, from 2012 to 2021. Prior to this he worked for Diageo, where he held a variety of senior finance positions, Hill Samuel Bank and Price Waterhouse. Simon is a member of the Institute of Chartered Accountants in England and Wales and has an MA from the University of Cambridge.

(A) Audit Committee Member

(N) Nomination Committee Member

(R) Remuneration Committee Member

● Chair of Committee

BOARD OF DIRECTORS CONTINUED

Heather Preston

Non-Executive Director

(A)

Heather joined the Board of OSE in late 2021.

Heather is an experienced biotechnology venture capitalist with over 30 years of healthcare experience as a scientist, physician, and management consultant. Heather was formerly a Managing Partner of Pivotal BioVenture Partners, a San Francisco based venture capital fund focused on investing in innovative therapeutics and therapeutic platforms. Prior to joining Pivotal, she was a Firm Partner and Managing Director at TPG Biotech, with whom she is now Senior Adviser. Prior to this, Heather spent two years with JP Morgan Partners, was an Entrepreneur-in-Residence with New Enterprise Associates, and spent five years at McKinsey & Co. leading the pharmaceutical and medical products consulting practice. Heather has an undergraduate degree in biochemistry from the University of London and a medical degree from the University of Oxford. She completed a post-doctoral fellowship in molecular biology at the Dana Farber Cancer Institute, Harvard University and trained in Internal Medicine at the Massachusetts General Hospital, Harvard.

Andre Crawford-Brunt

Non-Executive Director

Andre joined the Board of OSE in early 2020.

Andre is an experienced deep tech adviser with a background in investment banking. He was previously Managing Director, Global Head of Equity Trading at Deutsche Bank, where he worked from 1994 to 2016. After leaving investment banking, Andre founded Braavos Capital, an IT and biotech investment firm. He sits on the Board of Next Biosciences and was previously on the Boards of Deep Science Ventures and Genesis Genetics.

Andre sits on the boards of OSE portfolio companies Osler, Spybiotech and Wild Bio.

(A) Audit Committee Member
(N) Nomination Committee Member
(R) Remuneration Committee Member
● Chair of Committee

EXECUTIVE TEAM

The Executive team has deep experience in founding, building, and investing in science and technology companies. The team brings strong sector expertise and industry relationships.

Following Alexis Dormandy's retirement from OSE in December 2022, the role of CEO is currently vacant. Rich Laxer is acting as Chair of the Executive team, to maintain strong communication between the Board and Executive, and ensure enhanced Board oversight of the operations of the business.

Jim Wilkinson

Chief Financial Officer

- Over 30 years commercial sector experience
- Founder director FTSE 100 Informa
- CFO roles at Informa, Lonhro, SportingBet, and Johnson Service Group

Katya Smirnyagina

Senior Partner, Life Sciences

- Over 20 years investment experience Capricorn & Alta Partners
- Directorships in numerous public and private companies in Europe and past Vice Chair of Invest Europe

Heather Roxborough

Partner, Health Tech

- Over 20 years of investment and company building experience
- 15 years in venture capital at Unilever, J&J, and leading the Optum Ventures Global Health Tech investment fund

Martin Fiennes

Partner, Deep Tech

- Over 25 years of Deep Tech investment experience
- Led Gatehouse Capital, technology corporate finance boutique

Sarah Shackelton

Chief Talent Officer

- Over 20 years experience building boards and senior leadership teams
- 17 years working as Partner at Abingworth

GOVERNANCE STRUCTURES

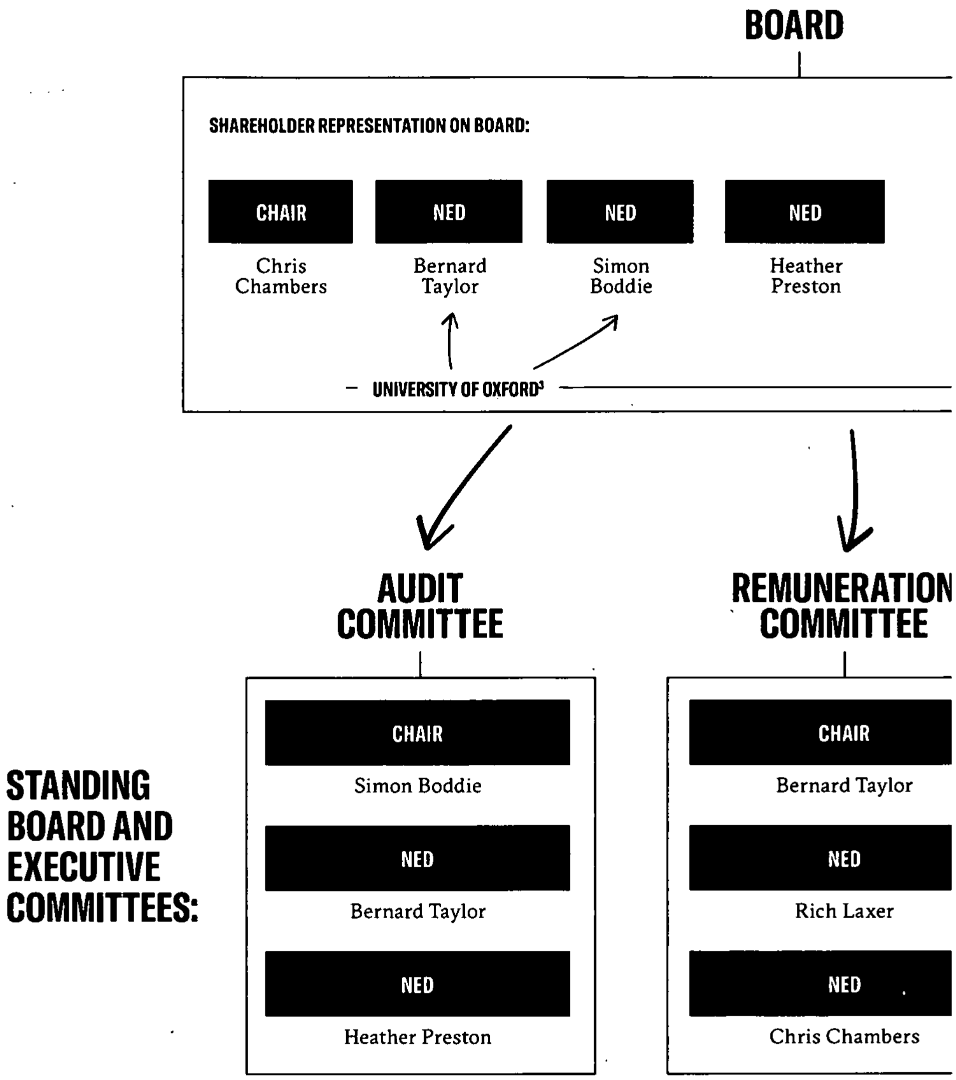
The diagram opposite illustrates OSE's key governance structures.

The Board of OSE comprises the Non-Executive Chair (Chris Chambers); two Non-Executive Directors appointed by the Board (Heather Preston and Rich Laxer); up to three Non-Executive Directors appointed by Oxford University (Bernard Taylor and Simon Boddie); one Non-Executive Director affiliated with Braavos (Andre Crawford-Brunt); and, from the Executive Team, the CEO and CFO (Jim Wilkinson). Under the Framework Agreement and Articles, Oxford University has the right to appoint three Non-Executive Directors to the Board.

The Board has three standing committees, the Audit Committee, the Remuneration Committee and the Nominations Committee. A report from each Committee is set out on pages 58 to 65 of this Annual Report.

The Executive team comprises the CEO; CFO (Jim Wilkinson); Senior Partner, Life Sciences (Katya Smirnyagina); Lead Partner Deep Tech (Martin Fiennes); Lead Partner Health Tech (Heather Roxborough); and Chief Talent Officer (Sarah Shackelton).

The Executive also has three standing committees, comprising the Investment Committee, the ESG Task Force, and the Diversity & Inclusion Committee. Under the terms of reference of the Board, investment and divestment decisions below certain thresholds are delegated to the Executive team, which operates an Investment Committee to exercise this authority. A report regarding the Investment Committee, including the thresholds of the committee's delegated authority, is set out on pages 66 to 67 of this Annual Report. The Sustainability Report on pages 28 to 41 of this Annual Report describes the work of the ESG Task Force and Diversity & Inclusion Committee in 2022.



NOTES:

1. Braavos Investment Advisers is manager of the Braavos Funds, which together hold 19.3% of OSE's Ordinary Share capital.
2. The Investment Committee is also attended by Head of Strategic Operations and Corporate Finance (Alex Hammacher), Head of Legal and Company Secretary (Athene Blakeman), as non-voting members. Representatives from the investment team responsible for the portfolio company under consideration also attend the Investment Committee.
3. The University of Oxford has the right to appoint three Directors to the Board.
4. The CFO reports to the Board on the activities of the ESG Task Force and on TCFD.

EXECUTIVE TEAM

- NED — Rich Laxer
- NED — Andre Crawford-Brunt
- CEO
- CFO — Jim Wilkinson
- PARTNER DEEP TECH — Martin Fiennes
- PARTNER HEALTH TECH — Heather Roxborough
- CHIEF TALENT OFFICER — Sarah Shackelton
- SENIOR PARTNER, LIFE SCIENCES — Katya Smirnyagina

BRAAVOS[1]

NOMINATIONS COMMITTEE

- CHAIR — Chris Chambers
- NED — Bernard Taylor

INVESTMENT COMMITTEE[2]

- CEO
- CFO — Jim Wilkinson
- PARTNER, HEALTH TECH — Heather Roxborough
- SENIOR PARTNER, LIFE SCIENCES — Katya Smirnyagina
- PARTNER, DEEP TECH — Martin Fiennes
- CHIEF TALENT OFFICER — Sarah Shackelton

ESG TASK FORCE[4]

DIVERSITY & INCLUSION COMMITTEE

Roles and responsibilities of the Board, Non-Executive Directors and the roles of Chair and Chief Executive Officer

RESPONSIBILITIES OF THE BOARD

The Board is responsible to shareholders for the overall management of OSE. This includes defining and challenging OSE's strategy, and overseeing its implementation. It also involves ensuring that the required human and financial resources are in place to deliver the strategy; ensuring that the governance framework of the organisation supports achievement of the strategy; overseeing a framework of controls for assessing and managing opportunities and risks; and ensuring that OSE's culture and values are appropriate for delivery of the strategy and are embedded in the organisation.

OSE's strategy is to invest early in exceptional science start-ups to build and develop highly successful companies. This involves taking a long-term view in the identification of high potential innovations; providing guidance and entrepreneurial leadership; ensuring that the right talent is in place within portfolio companies to deliver their potential; and continuous management of investment opportunity and risk. OSE is unusual in that it operates in a wide range of sectors, and is dedicated to supporting its portfolio companies throughout their development.

All Directors are responsible for the promotion of the long-term success of OSE, taking into account the interests of shareholders and other key stakeholders, including employees, portfolio companies, the University of Oxford and other partners, co-investors, the community and the environment. They are responsible for ensuring that obligations to shareholders and other stakeholders are understood and met. The Directors are all responsible for maintaining an engaged dialogue with shareholders. All Directors are equally accountable to OSE's shareholders for the proper stewardship of its affairs and long-term success. 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 the business' operations, and for implementing strategy.

The Non-Executive Directors are responsible for constructively challenging and contributing to strategy; overseeing the Company's and management's performance; and determining the remuneration of and 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.

THE ROLES OF CHAIR AND CHIEF EXECUTIVE

There is a clear distinction between the roles of Chair and Chief Executive Officer. The Chair 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 Chair 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 and Non-Executive Directors. The Chair 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.

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 implementation of strategy and processes which enable the Company to meet the requirements of shareholders; for delivering the operating plans and budgets for OSE'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.

MATTERS RESERVED FOR THE BOARD

+ Approval of the Annual Report and Accounts and quarterly results, accounting policies and procedures, and any matter having a material impact on the financial performance of OSE.
+ Strategic acquisitions or disposals
+ Major portfolio capital allocation decisions (see Investment Committee report)
+ Entry by the Company into strategic partnerships
+ Major disposals from OSE's portfolio (see Investment Committee report)
+ Approval and monitoring of OSE'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 similar documents issued to shareholders
+ Changes to OSE's capital structure and the issue of any securities
+ 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
+ Oversight of litigation

CORPORATE GOVERNANCE REPORT

2022 BOARD ATTENDANCE[1]

	Mtg 1	Mtg 2	Mtg 3	Mtg 4	Mtg 5
Chris Chambers	●	●	●	●	●
Alexis Dormandy[2]	●	●	●	●	●
James Wilkinson	●	●	●	●	●
Richard Laxer[3]		●	●	●	●
Heather Preston	○	●	●	●	●
Bernard Taylor	●	●	●	●	●
Simon Boddie	●	●	●	●	●
John Bell[4]	●	●	●	●	●
Andre Crawford-Brunt	●	●	●	●	●

Key to Attendance Chart

● Attended meeting

○ Did not attend meeting, but was part of the Board at the time

1 Two additional unscheduled Board meetings were held relating to approval of the Company's debt facilities, and in relation to a portfolio company investment.

2 Alexis Dormandy stepped down from the Board on 12 December 2022.

3 Rich Laxer was appointed to the Board on 1 April 2022.

4 John Bell stepped down from the Board on 28 February 2023.

THE NAMES OF THE DIRECTORS WHO HELD OFFICE DURING 2022, OR WHO CURRENTLY HOLD OFFICE, ARE AS FOLLOWS:

Executive Directors	
Alexis Dormandy	Resigned 12 December 2022
Jim Wilkinson	
Non-Executive Directors	
Christopher Chambers (Chair)	
Richard Laxer	Appointed 1 April 2022
Heather Preston	
Simon Boddie	
Bernard Taylor	
John Bell	Resigned 28 February 2023
Andre Crawford-Brunt	

2022 REVIEW

2022 saw a clear focus on the fundraising; portfolio growth; the portfolio pipeline; talent, both within OSE and in portfolio companies; and reputation.

During spring 2022 the Board and fundraising committee closely oversaw the structuring and execution of the Company's £250 million fundraising which successfully completed in July 2022. The fundraising committee and decisions regarding the fundraising are further discussed in the Section 172 Statement at pages 68 to 69 of this Annual Report.

The Board received regular updates on portfolio performance and new opportunities, and received presentations from the leads of each of the sector teams during the year. OSE delivered NAV growth in 2022 of 10%, despite headwinds from the public markets. Progress with new spin-outs was monitored, culminating in investments in nine new portfolio companies in 2022, including five new spin-outs. The portfolio review and sector reports on pages 16 to 25 of this Annual Report analyse portfolio performance in the year. KPIs are set out on pages 26 and 27.

The Board received presentations from the newly appointed Chief Talent Officer regarding development of talent within the portfolio, as well as results of the portfolio diversity and inclusion survey. It also monitored progress with key hires to the OSE investment teams. The Board received regular reports on development of relationships, particularly between OSE and Oxford University and with key portfolio companies.

The Board also placed significant focus in 2022 on shareholder engagement. The Board and executive team engaged extensively with shareholders during the fundraising. As noted in the Chair's Report on pages 2 to 5, the Board is evaluating plans to deliver liquidity to shareholders. Regular updates on the Company's property strategy and ongoing strategic discussions in relation to its development were provided to the Board.

BOARD MEETINGS

The Board meets regularly during the year as well as on an ad hoc basis, as required in response to the needs of the business. Five scheduled Board meetings were held during 2022. The Board also held two unscheduled meetings in 2022, relating to approval of the Company's debt facilities, and to make a decision relating to a portfolio company investment.

A fundraising committee comprising five Non-Executive Directors was established, which met on a regular basis throughout the spring and up to launch of the fundraising. The committee played an active role in engagement with shareholders, ensuring that shareholder feedback was considered in determining the structure, scale and pricing of the fundraising. The fundraising committee provided regular updates to the Board regarding progress and key decisions.

Meetings between the Chair and the Non-Executive Directors, without the presence of the Executive Directors, are also held as the need arises, and were held during the year.

The Board welcomed the Executive Team to attend parts of the Board meetings to ensure that strong communication was maintained with the business, and to enable the Directors to be close to the Company's operations during a period of change.

The Board also received regular reports from the Chair of the Audit Committee and the Chair of the Remuneration Committee regarding matters considered by each respectively, details of which are set out in the reports on pages 58 to 64 of this Annual Report.

All scheduled Board meetings were held in person in 2022, with occasional participation by video conference where a Director was unable to attend in person. The schedule of Board and committee meetings each year is, so far as possible, determined before the commencement of that year and all relevant Directors are expected to attend each meeting.

Several days prior to each scheduled Board meeting, every member of the Board receives a detailed Board pack, which includes an agenda along with appropriate information and reports, save in respect of meetings called on short notice or where late papers are permitted to be included with the consent of the Chair. Where a Director is unable to attend a meeting due to exceptional circumstances, they will still receive the supporting papers and will discuss any matters they wish to raise with the Chair in advance of the meeting. The Chair, CFO and Company Secretary work together to ensure that the Directors receive relevant, accurate, timely and clear information, sufficient to enable them to discharge their duties. This information includes management accounts containing a detailed analysis of performance against budget. At each meeting, the Board receives a report from the CEO and the CFO and, by invitation, other employees as required. Additional information is provided as appropriate or if requested. This ensures that all Directors are aware of, and are in a position to monitor effectively, the overall performance, its development and implementation of strategy, and its management of risk.

The Company Secretary and Head of Legal also provides advice as relevant regarding legal and governance matters.

DIRECTORS' CONFLICTS OF INTEREST

OSE's Board includes two Directors appointed by Oxford University and one Director affiliated with its largest shareholder. The Board recognises that these circumstances give rise to an enhanced need to appropriately manage conflicts, and emphasis was placed on this during 2022. The Board discussed the adequacy and operation of OSE's conflicts management policies, and also reviewed the enhanced conflicts management policies which apply where Directors have interests in portfolio companies.

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

The Board has established procedures for managing and, where appropriate, authorising any situational and transactional conflicts or potential conflicts of interest that arise. The Company Secretary maintains a register of interests that is updated before each Board meeting, and more frequently if necessary, and is provided to the Board in advance of each meeting. Conflicts declaration and management is a recurring agenda item at all Board meetings. Directors are requested 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, and to update the Board on any change to a previous conflict of interest already declared.

OSE also operates enhanced conflicts management policies where Directors have interests in portfolio companies. These are focused on ensuring that confidentiality is maintained and information appropriately utilised, and on ensuring independent decision making.

CORPORATE GOVERNANCE REGIME

OSE is not required to comply with any mandatory corporate governance regime. The Board is aware that given its diverse shareholder base, comprising more than 100 institutional investors, strategic investors, high net worth individuals, Oxford University and Oxford colleges, pension funds and sovereign wealth funds, it is vital that high standards of governance and transparency are applied. In preparing its Annual Report and Accounts and quarterly reporting, and in ongoing communication with shareholders, the Company has regard to the need to apply such standards. The Company does not seek to apply all aspects of the UK Corporate Governance Code, but has taken into account certain principles and provisions of the Code in establishing its governance framework.

ANNUAL GENERAL MEETING AND ENGAGEMENT WITH SHAREHOLDERS

The Section 172 Statement on pages 68 to 69 of this Annual Report discusses engagement by OSE with its key stakeholders, including shareholders.

Due to the size of the Company's investor base, and its ability to engage individually with all shareholders who wish to do so, the OSE AGM tends to be a formal event, focused on obtaining shareholder feedback on the matters proposed in the resolutions put to the meeting. The Board proposes separate resolutions for each issue, and supports the casting of votes for, against and to be withheld in respect of any resolution. The use of proxy forms and online voting enables all shareholders to participate, whether or not they are able to attend the meeting. OSE encourages all shareholders to exercise their votes at the AGM.

At the 2022 AGM, all resolutions were passed on a poll, in order to ensure that all votes cast, including by proxy, were taken into account. All resolutions were passed with 100% of votes in favour. The results of voting were emailed to shareholders, and made available on request from the Company Secretary.

The 2023 AGM is expected to be held in September 2023. Notice of the AGM will be posted to all shareholders in advance of the meeting. No restrictions on attendance relating to COVID-19 were applied in relation to the 2022 AGM, and the Company intends to keep the situation under review for the 2023 AGM.

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

AUDIT COMMITTEE REPORT

2022 AUDIT COMMITTEE ATTENDANCE

	Mtg 1	Mtg 2	Mtg 3	Mtg 4	Mtg 5
Simon Boddie	●	●	●	●	●
Bernard Taylor	●	●	●	●	●
Heather Preston[2]				○	●

Key to Attendance Chart

● Attended meeting

○ Did not attend meeting, but was part of the Committee at the time

1 Three unscheduled Audit Committee meetings were held in 2022, relating to progress with the 2021 audit.

2 Heather Preston was appointed to the Audit Committee on 8 November 2022.

When invited by the Chair, the CFO, Head of Finance, Company Secretary (who acts as secretary to the Audit Committee), and Head of Strategic Operations and Corporate Finance, also attend (parts of) Audit Committee meetings. The Audit Committee ensures that meets at least once each year with the auditor, without the CFO or Head of Finance present.

RESPONSIBILITIES OF THE AUDIT COMMITTEE

Under its Terms of Reference, the Audit Committee is responsible for:

- Monitoring the integrity of preparation of the Company's financial statements and reporting, including reviewing all significant financial reporting issues and judgements. Reviewing and challenging the clarity of disclosure in the Company's financial reporting, including advising the Board on whether it considers that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model, and strategy.
- Reviewing and challenging the consistency of accounting policies, both over time and across the Group. Reviewing and challenging the methods used to account for significant or unusual transactions, where different approaches are possible. Reviewing and challenging the application of accounting standards and the making of appropriate estimates and judgements, taking into account the views of the auditor.
- Keeping under review the effectiveness of the Company's internal controls and risk management systems. Reviewing and approving any statements included in the Annual Report and Accounts concerning internal controls and risk management.
- Reviewing the adequacy and security of the Company's arrangements for raising concerns in confidence regarding potential wrongdoing in financial reporting or other matters, and ensuring that these arrangements allow proportionate and independent investigation and appropriate follow up actions.
- Reviewing the Company's procedures for detecting fraud, the prevention of bribery, and anti-money laundering systems and controls, and receiving reports regarding any non-compliance or concerns.
- Reviewing whether the Company requires an internal audit function, in the context of its risk management systems.
- Overseeing the relationship with the auditor, including their remuneration, scope of the audit, independence, effectiveness of the audit process. Reviewing and approving the annual external audit plan, and reviewing the findings of the auditor. Making recommendations to the Board regarding the (re)appointment or removal of the auditor.

The Chair of the committee reports to the Board on proceedings. The Chair of the Board ensures that OSE maintains contact with its shareholders about matters for which the Audit Committee is responsible, as required. The committee may seek any information or advice it requires, including the appointment of advisers as it deems necessary.

2022 REVIEW

2022 was an extremely active year for the Audit Committee, with a new Chair appointed to the committee at the end of 2021 driving a strong agenda, and completion of the first audit under new auditors Deloitte.

The Audit Committee placed strong focus on valuation of portfolio investments, one of the more significant areas of judgement in OSE's financial reporting. The committee reviewed OSE's approach to valuations, including the role of the Audit Committee in overseeing valuations, and also oversaw a review of OSE's valuation policy. The audit committee also implemented a new independent review of the valuation process, whereby appropriate challenge was placed on the scoping of investments into the different valuation methodologies and challenged the output on specific investment valuations. This resulted in the reduction of the use of discretion under the valuation policy, and increased use of independent expert valuers. Management used Kroll to assist the valuation process. Kroll has undertaken valuation reviews on companies representing 55% of the portfolio by value. 9% of the portfolio by value is publicly listed and as such marked to market each quarter. The Audit Committee also clarified the scope of Deloitte's testing of valuation of investments. In preparing these financial statements, the vast majority of the balance of the portfolio completed external fundraises during 2022. 87% of portfolio investments by value have been tested by Deloitte.

Other areas of significant accounting judgement include accounting for the LTIP, the Oxford University's option to extend the framework agreement beyond 2030 and for the current Oxford University Framework Agreement equity rights asset, all of which were examined by the Audit Committee during the year.

The Audit Committee placed significant focus on treasury and financial controls in the year. During 2022, OSE had gross cash inflow of £250 million from the fundraising and £143 million divestments of DJS and MiroBio, and holds £467 million of cash and deposits[1] as at 31 December 2022. An internal audit of treasury was led by Grant Thornton during 2022, including a review of the design and operation of controls around the treasury process. OSE's treasury policy maintains its core structure, which prioritises security, then liquidity, then returns. However, increased cash on hand and higher interest rates are driving a shift in treasury holdings from money market funds, short term deposits and short term bonds to longer term deposits.

Financial cash controls were reviewed and procedures updated, taking into account Deloitte's recommendations relating to financial controls from the 2021 audit.

The Audit Committee also oversaw the introduction of a new, formalised, risk management framework including annual risk management cycle. It oversaw the first annual cycle under the new framework, which included reviewing the material risks to which OSE is subject; reviewing OSE's risk appetite; overseeing the implementation of mitigating actions; and ensuring that the Company responded adequately to changes driven by a volatile global and financial climate.

Following completion of Deloitte's first audit of OSE, the Audit Committee received recommendations from Deloitte in several areas, and ensured that these were appropriately responded to. These included increased use of technical papers, which has been adopted for the 2022 audit, and the Company is developing its accounting handbook to further formalise its accounting procedures.

For the 2022 audit, materiality was set at £27 million, with a lower level of materiality of £0.9 million applicable to the P&L.

The OSE accounts are required to be prepared on a stand-alone basis, and do not consolidate subsidiaries, including OSI Services Limited, which operates the LTIP. It is considered important that shareholders receive a consolidated view of the group, which includes all of OSE's portofolio assets, and accordingly, the 2022 accounts are prepared on a non-consolidated basis, and in addition a consolidated pro forma is provided on pages 111, which sets out the value of the group as a whole, consolidating the assets and liabilities under the LTIP which is operated by OSI Services Limited.

AREAS OF SIGNIFICANT ACCOUNTING JUDGEMENT

Valuation of assets and liabilities, portfolio investments

The most significant area of risk in the Company's financial statements relates to valuation of assets and liabilities, and in particular investments in portfolio valuations[1], which at year end had a carrying value of £785 million. In 2022, the Audit Committee reviewed OSE's approach to valuations, including the role of the Audit Committee in overseeing valuations, and also oversaw a review of OSE's valuation policy in consultation with Deloitte.

This review resulted in two key changes to the policy: First, whereas historically, adjustments to valuation as a result of funding rounds for portfolio companies were only recognised where the round was led by an independent value-add investor (i.e. not where OSE led the round, or the round was led by another investor not considered independent), under the new policy all funding rounds are taken into account in valuation. This removes an element of discretion around what constitutes an independent value add investor. Second, increased use is be made of independent expert valuers, and the circumstances in which independent expert valuers are to be engaged were clarified.

It was recognised that the size of the OSE team does not allow for a separation of responsibilities between the investment team and the pricing team. In light of this lack of separation, and the risk of conflict of interest, the Audit Committee determined that it should play an enhanced role in reviewing valuations of portfolio investments. Towards the end of 2022, the Audit Committee held a meeting dedicated to valuation, at which the application of the valuation policy across the portfolio was evaluated, and the most material valuations, and all recommendations from independent expert valuers, reviewed. In preparing these financial statements, Kroll has undertaken valuation reviews on companies representing 55% of the portfolio by value. 9% of the portfolio by value is publicly listed and as such marked to market each quarter. The vast majority of the balance of the portfolio completed external fundraises during 2022.

As part of their audit, in testing the valuation of investments, Deloitte categorise investments by risk (by reference to value and the potential for exercise of discretion), and test valuations of all material investments. Where appropriate expert valuation specialists are engaged. In preparing the 2022 financial statements, Deloitte have tested valuations of 87% of the portfolio by value, including all Portfolio Companies valued in excess of £20 million.

Valuation of LTIP

A second area of significant accounting judgement relates to the LTIP provision. The Audit Committee reviewed the accounting policies used to determine this provision, including the failure rate and discount rate which is applied to portfolio investments.

Equity rights valuation

OSE values the rights that it has to founder equity and to invest in new spin-outs from Oxford University under the Framework Agreement at £27 million. The unusual nature of this asset resulted in Deloitte making this an area of material focus in the 2022 audit. The valuation of the equity rights asset is subject to various assumptions, including the number of spin-outs each year, failure rate, expected dilution, exit values, and size of option pool.

University of Oxford option

OSE values the option to extend the framework agreement beyond 2030 at £15.5 million. The option is measured using a Black-Scholes model. The model is subject to key assumptions, including future value of equity rights, value of 5% stake of OSE, volatility rate and risk-free rate.

INTERNAL CONTROLS AND RISK MANAGEMENT

Control environment and procedures

OSE has a clear organisational structure with defined responsibilities and accountabilities. It adopts the highest values surrounding quality, integrity and ethics. These values are documented and communicated clearly throughout the Company. Detailed written policies and procedures have been established covering key operating and compliance risk areas.

AUDIT COMMITTEE REPORT CONTINUED

The most significant financial control risks for the Company relate to valuation of investments (discussed above) and cash management. OSE operates a cash management policy which governs cash at bank and payments, as well as a payment authorisation policy, and also undertakes a monthly budget review process.

During 2022, the internal cash controls and payment authorisation policies and their application were reviewed, taking into account Deloitte's recommendations resulting from the 2021 audit, under oversight from the Audit Committee. The small size of the OSE senior and finance teams limit the number and separation of persons available to approve payments. The Audit Committee is satisfied that appropriate measures are in place.

The Company also operates an Anti Corruption and Bribery Policy, Anti Money Laundering Policy, Anti Facilitation of Tax Evasion Policy and Whistleblowing Policy. These policies are reviewed regularly to ensure that they remain appropriate.

The Committee considers that the controls have been effective for the period ended 31 December 2022. As the Company's activities continue to develop and the business increases in value, the level of controls will be kept under review.

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.

Risk management

In 2022, the Audit Committee oversaw the introduction of a new, formalised, risk management framework and annual risk management cycle. The Audit Committee also undertook a full review of OSE's risk register, with a focus on material risks; reviewed and challenged OSE's risk appetite; and monitored the implementation of mitigating actions. In light of the volatile global and financial climate, the Audit Committee reviewed the material risks to the business in late 2022, to ensure that changes during the year had been adequately responded to. The Risk Management report on pages 44 to 47 of this Annual Report sets out further details of the work undertaken during the year, and the material risks to which OSE is subject.

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.

Treasury

The fundraising and divestments of DJS and MiroBio drove gross cash inflows in 2022 in both GBP and USD, with a resulting focus on treasury. In 2022, Grant Thornton undertook an internal audit of OSE's treasury policy, including a review of the design and operation of controls around the treasury process. The treasury policy was updated in early 2023 in light of the results of this internal audit.

At 31 December 2022, OSE held £467 million of cash and deposit[1]. In line with OSE's low appetite for financial risk, OSE's treasury policy prioritises security, then liquidity, then returns. Historically, funds have primarily been held in a variety of short or no notice bank accounts, money market funds and commercial bonds, and with no more than 20% of funds to be held with a single institution.

REVIEW OF ANNUAL REPORT AND ACCOUNTS

The Audit Committee reviewed the 2022 Annual Report and Accounts, resulting in the recommendation that they be approved by the Board. In carrying out its review, the committee gave consideration to whether the Annual Report, taken as a whole, was fair, balanced and understandable, concluding that it was. The Audit Committee 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. An enhanced process for validating that the accounts are fair, balanced and understandable was applied in 2022. This included reviewing the presentation of the financial performance and state of affairs of the stand-alone company and the pro forma consolidated information, and receiving confirmations from management and other relevant members of the team.

EXTERNAL AUDIT

The 2022 audit had the benefit of learnings from Deloitte's first audit of OSE in 2021, which were discussed by the Audit Committee with Deloitte and the OSE finance team at the audit planning meeting in December 2022. The Audit Committee approved the proposed audit scope, and discussed a summary of what the auditor considered to be the most significant financial reporting risks for OSE, together with their proposed approach to these areas. The Company, overseen by the Audit Committee, took into account recommendations from the 2021 audit, including: the use of more technical papers and formalisation of application of accounting policies through the accounting handbook. The Audit Committee reviewed technical papers relating to the application of accounting policies in key areas, including: the Vaccitech arrangements; adviser accruals; the Oxford University departmental liquidity scheme, property joint venture, LTIP, consolidation of subsidiaries, and valuation of the equity rights asset.

The OSE accounts are required to be prepared on a stand-alone basis, and do not consolidate subsidiaries, including OSI Services Limited, which operates the LTIP. It is considered important that shareholders receive a consolidated view of the group, and accordingly, the 2022 accounts are prepared on a non-consolidated basis, and in addition a consolidated pro forma is provided on pages 111, which sets out the value of the group as a whole, consolidating the assets and liabilities under the LTIP which is operated by OSI Services Limited. The Audit Committee reviewed the effectiveness of the external audit.

INTERNAL AUDIT

The Company does not maintain a separate internal audit function. The size of the Company presents a challenge to the introduction of a separate audit function, as it would require a significant increase in headcount beyond the current finance team.

The Audit Committee reviews the need to have an internal audit function on an annual basis. In 2022, the Audit Committee determined, having regard to the risk profile of the Company and its internal controls, that the Company does not at this time require a separate internal audit function. The Audit Committee identified the importance of special audits, led by external advisers, in specific areas of greater risk, on a cyclical basis. It was agreed that at the commencement of each financial year, the Audit Committee would determine which, if any, areas should be subject to special audit.

In 2022, a special audit, led by Grant Thornton, was undertaken in respect of OSE's treasury policy. In 2023, it is planned to undertake special audits in the areas of cybersecurity and remuneration including payroll, which represents 75% of operational expenditure.

OTHER ROUTINE ACTIVITIES

In accordance with its responsibilities, the Audit Committee also reviewed the Company's Tax Transparency and Anti-Facilitation of Tax Evasion Policies, discussed their application with the CFO, and are satisfied that these are fit for purpose.

The Audit Committee exercises oversight of the budget process. It also recommended the appointment of the auditors at the 2022 AGM. The Audit Committee intends to recommend the reappointment of Deloitte as auditor to the Company at the 2023 AGM.

AUDITOR INDEPENDENCE

Controls are in place to ensure that the independence of auditors is maintained. The Audit Committee reviews the scope, fees and performance of the external auditor; oversees the independence and effectiveness of the audit; oversees the policy regarding the provision of non-audit services by the external auditor; and oversees the monitoring of the role of the external auditor with respect to OSE portfolio companies.

During 2022, the Audit Committee determined that an area of enhanced risk regarding independence is the work performed by the external auditors for portfolio companies, and requested a review of the process for monitoring such work. The review resulted in a new policy being agreed between OSE and Deloitte, and approved by the Audit Committee. On a quarterly basis, all portfolio companies valued in excess of 5% of OSE NAV, and all ongoing and upcoming auditor mandates for such companies, are identified. Where the value of the work performed by the auditor for the affiliate exceeds, or is expected to exceed, £100,000 per annum, advance approval of the Audit Committee is required. Where the value of the work performed by the auditor for the affiliate is less than £100,000 per annum, the Audit Committee receives retrospective notification of the circumstances. In addition, OSE's investment forecasts are reviewed on a monthly, in order to identify portfolio companies which are not currently material for such purposes, but are expected to become material in the medium term.

The Audit Committee approves all fees paid to the auditor for non-audit services. No non-audit services were performed for the group or non-audit fees paid by the group to the auditor in the year. See note 6 to the Financial Statements on page 89 of this Annual Report.

The Audit Committee also receives a formal report and statement of independence from the auditor each year.

The Audit Committee is satisfied that the independence of the auditor has been maintained.

Approved by the Audit Committee on 20 June 2023.

SIMON BODDIE
Chairman of the Audit Committee

21 June 2023

REMUNERATION COMMITTEE REPORT

2022 REMUNERATION COMMITTEE ATTENDANCE

	Mtg 1	Mtg 2	Mtg 3
Bernard Taylor (Chair)	●	●	●
John Bell[1]	●	●	●
Chris Chambers	●	●	●
Richard Laxer[2]			○

Key to Attendance Chart

● Attended meeting

○ Did not attend meeting, but was part of the Board at the time

1 John Bell stepped down from the Board on 28 February 2023.

2 Rich Laxer was appointed to the Remuneration Committee on 8 November 2022.

When invited by the Chair, the OSE Head of People, Company Secretary (who acts as secretary to the Remuneration Committee), CEO and CFO, attend (parts of) Remuneration Committee meetings.

ROLE OF THE REMUNERATION COMMITTEE

Under its Terms of Reference, the Remuneration Committee is responsible for:

- Setting the remuneration policy for all Executive Directors and the Chairman. The Board approves the remuneration of the Non-Executive Directors, on the basis of a recommendation from the Remuneration Committee. No Director or senior manager is involved with any decisions regarding their own remuneration.
- Recommending and monitoring remuneration levels and structure for the senior management.
- Designing performance related rewards, including the Long-Term Incentive Plan (LTIP) Value and Vintage Schemes. The committee also approves targets for all performance related pay schemes, and approves the total annual payments made under such schemes.
- In determining remuneration policy, levels and structure, the committee is focused on ensuring that the Company attracts, retains and motivates a team of the quality required to deliver success, and takes into account all factors which it deems necessary, including relevant legal and regulatory requirements. The committee seeks to ensure that the remuneration policy aligns with OSE's long-term strategic goals, and that a significant portion of remuneration is linked to corporate and individual performance.
- Determining the policy and scope of pension arrangements for each Executive Director.
- Reviewing contractual terms on termination and any payments made to departing individuals, and ensuring that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- The Chair of the committee reports to the Board on proceedings. The Chair of the Board ensures that OSE maintains contact with its shareholders about remuneration, as required. The committee may seek any information or advice it requires including the appointment of remuneration consultants as it deems necessary.

2022 REVIEW

The Remuneration Committee also had an active year. As a result of the successful divestments of DJS and MiroBio, gains realised from investments exceeded the hurdle under the LTIP (Vintage Scheme) for the first time, and the first pay-outs under the Vintage Scheme were triggered. The structure of the bonus scheme was reviewed, resulting in the introduction of a Company financial performance metric, alongside the original individual performance metric with effect from FY 2022, increasing alignment of the bonus incentive with delivery of shareholder value. Salary reviews focused on addressing increases in in the cost of living, whilst maintaining control of the Company's fixed cost base.

The Remuneration Committee also determined the remuneration aspects of Alexis Dormandy's exit arrangements following his retirement from OSE. It reviewed the terms of appointment of the Non-Executive Directors, implementing minor changes to ensure alignment and fairness across the Board. Options were granted to newly appointed Non-Executive Directors.

The structures of OSE's employee incentive schemes are now clearly established. Operating together, salary, bonus scheme, and the LTIP deliver incentives aligned with shareholder value. These structures incentivise both short and mid/long term value growth (through the bonus scheme, and LTIP, respectively), and both NAV growth and realisation of gains on investment (through the bonus scheme and LTIP Value Scheme, and the LTIP Vintage Scheme, respectively).

EMPLOYEE INCENTIVES

Long Term Incentive Plan

Following introduction of the LTIP in 2020, the LTIP Vintage Plan and Value Plan has now been in operation for over 2 years. During 2022, as a result of the divestments of DJS Antibodies and MiroBio, the first pay-outs under the Vintage Scheme were triggered following Vintage C (2019/20) realisations exceeding the 3% hurdle. The Remuneration Committee verified and approved these pay-outs. The vested portion has been paid to participants, and the unvested balance remains in escrow pending vesting, as described below.

In early 2023, the Remuneration Committee approved the Vintage E allocations (investments made in 2023/24), set the Vintage E hurdle, and approved amendments to Value Scheme allocations, including in respect of leavers and new joiners.

By way of reminder, the LTIP Value and Vintage Schemes are designed to align employee incentivisation with mid / long term shareholder value, by reference to OSE NAV growth (Value Scheme) and gains realised on investments (Vintage Scheme).

The Vintage Plan breaks investments down into two-year investment windows and gives participants in the plan up to 10% (for Vintages A (2015/16), B (2017/18) and C (2019/20)) and up to 12.5% (for Vintage D (2021/22) and E (2023/24)) of the net gain realised on investments made during those windows after application of a hurdle. The hurdle for Vintages A to D is 3%. Vesting for Investment Vintages A (2015/16), B (2017/18) and C (2019/20) are in 96 equal monthly instalments, commencing one month after the relevant participant's start date. Vesting for Vintage D (2021/22), E (2023/24) and future vintages is in monthly instalments over the three-year period following the relevant two-year investment period for the Vintage. The hurdle for Vintage E (2023/24) has been increased to 4.5% to reflect the increased cost of money in the current economic environment.

The Value Plan allows participants to benefit from the rise in OSE'S net asset value (NAV) per share during the period of their employment. Vesting is in monthly instalments over the four-year period starting on the first anniversary of the relevant participant's start date. If OSE'S net asset value (NAV) per share has fallen during the relevant period, or if the participant is a bad leaver, the relevant Value Shares will be forfeited and the participant will not receive any value. The plan contains adjustments to deal with the issue of new equity, capital reorganisations and similar. Awards can be subject to malus and clawback provision at any time until the second anniversary after buy-out. Malus or clawback applies if the Remuneration Committee considers that there are exceptional circumstances, including gross misconduct, conduct that risks or damages the reputation of the Company, conduct that causes financial loss to the Company, or a failure of risk management, in each case where the participant is considered to be culpable.

The Value Plan is capped at 4% of OSE's issued share capital from time to time, by reference to OSE'S NAV. The Vintage Plan delivers 10% to 12.5% of realised returns above a hurdle dependant on Vintage.

Salaries

In December 2022, the Remuneration Committee reviewed the overall cost and fairness of proposed 2023 salary increases for the OSE team as a whole, and approved these increases. The committee also made recommendations in respect of salary increases for the Executive Team, which were approved by the Board. In doing so, the Remuneration Committee took into account the current financial climate, including high inflation and fuel costs.

A 5% salary increase was awarded to all employees to recognise increases in the cost of living. In addition, a one-off payment of £3,000 was made to all employees earning under £100,000 per annum. The structure of these payments is designed to avoid long term increases in the fixed cost base of the Company, but to ensure that employees, particularly those on lower salaries, remain supported and incentivised through a challenging financial climate. In addition, market adjustments (wherever possible based on benchmarking data) and performance adjustments (where there is a change or step up in role) were awarded to a small number of employees.

Bonus scheme

OSE operates a cash bonus scheme for its employees. Employees are entitled to receive a performance based cash bonus of up to a percentage of salary, with the maximum available percentage varying dependent on role.

Historically, bonus entitlement was based wholly on individual performance. In 2022, the Remuneration Committee recommended, and the Board approved, amendment of the bonus scheme such that bonus entitlements for 2022 and beyond are based 50% on Company financial performance, and 50% on individual performance. This decision further aligns employee incentives with shareholder value; removes an element of discretion in evaluating bonus entitlements; and ensures appropriate focus on delivery of short, mid and long term financial growth at a critical phase in the Company's development, as the portfolio is maturing. The new bonus scheme compliments the LTIP, including the Value Scheme, which incentivises employees to deliver NAV growth and the Vintage Scheme, which drives NAV growth and realisations.

For 2022 bonuses, the financial target for the bonus scheme was 10-20% year on year NAV growth. 2022 NAV growth, excluding the effect of the fundraising, was 15% and accordingly employees received 50% of their potential entitlement in respect of the element of bonus based on financial performance.

Joint Share Option Plan (JSOP)

OSE has in place a legacy JSOP, which is no longer used to grant awards to participants. As at 31 December 2022, 12 former and current employees hold awards in the JSOP. An aggregate 5,950,000 Ordinary Shares remain reserved for the purposes of satisfying awards under the JSOP.

NED TERMS OF APPOINTMENT AND NED OPTIONS

In 2022, the terms of appointment of Non-Executive Directors, which had varied as appointments were made over several years, were reviewed and where appropriate amended to increase alignment and ensure fairness. All Non-Executive Directors are appointed indefinitely subject to a 3 month notice period, are subject to similar time commitments, and are subject to non-compete provisions on leaving the Company. Rewards vary based on the Non-Executive Director's role on the Board and its Committees.

In 2022, each of Heather Preston and Rich Laxer were granted nominal cost options to acquire 112,000 Ordinary Shares. These options vest annually in equal instalments over a 4 year period. Once vested, the options are exercisable with a further period of 4 years. Leaver provisions apply to the scheme.

No Director is involved in decisions regarding their own remuneration.

PENSIONS

The Remuneration Committee is responsible for determining the pension arrangements for Executive Directors. In 2022, in line with best practice for public markets companies, the Remuneration Committee determined that where an employee had exceeded their lifetime pension allowance, the Company would not make payments in cash in lieu of pension contributions. Recently, government announced that the lifetime allowance would be abolished from April 2024.

DIRECTORS' EMOLUMENTS

The Company incentivises its employees, including Executive Directors, with a salary, participation in the bonus scheme, and (where appropriate) participation in the LTIP. Employees also receive various benefits, which may include pension contributions under the Company's pension scheme, and private healthcare.

In December 2022, Alexis Dormandy retired from OSE. The Remuneration Committee determined the exit arrangements. Alexis received a payment of approximately £70,000 in connection with his departure and in line with his contract of employment.

The total emoluments paid to all Executive and Non-Executive Directors in 2022 was £1.5 million (2021: £1.4 million). The highest paid Director received emoluments of £0.7 million (2021: £0.7 million).

BERNARD TAYLOR
Chair of the Remuneration Committee

21 June 2023

NOMINATIONS COMMITTEE REPORT

2022 NOMINATIONS COMMITTEE ATTENDANCE CHART

	Meeting 1	Meeting 2	Meeting 3	Meeting 4
Chris Chambers	●	●	●	●
Bernard Taylor	●	●	●	●
John Bell[1]	●	●	●	●

Key to Attendance Chart

● Attended meeting

○ Did not attend meeting, but was part of the Board at the time

1 John Bell stepped down from the Board on 28 February 2023.

RESPONSIBILITIES OF THE NOMINATIONS COMMITTEE

The Nominations Committee is responsible for:

- Reviewing the structure, size and composition of the Board (including the skills, knowledge, experience and diversity of its members), the terms of offices for the members of the Board, and making recommendations to the Board with regard to any changes.
- Giving consideration to succession planning for Directors and senior executives. Keeping under review the leadership needs of the organisation.
- Identifying and nominating candidates to fill Board vacancies, for the approval of the Board. Before any appointment is made to the Board, evaluating the balance of skills, knowledge, experience and diversity on the Board, and on the basis of this preparing specification for the role and capabilities required for a particular appointment. External advisers may be used to facilitate any search. Ensuring that candidates from a range of backgrounds are considered, and ensuring that candidates are assessed on merit against objective criteria.
- Setting out and agreeing expectations for new appointees to the Board.
- Reviewing the results of Board evaluations, and regularly reviewing the time required from Non-Executive Directors to perform their duties.

2022 REVIEW

In 2022, the Nominations Committee continued its search for Non-Executive Directors, and in April 2022 recommended the appointment of Rich Laxer to the Board. Rich brings extensive experience of scaling innovative technologies, and of financing strategies, including private equity, debt, corporate, and commercial finance.

Following the retirement of OSE's former CEO in autumn 2022, the Nominations Committee has been progressing recruitment of new leadership for OSE. The Committee engaged recruitment consultants to support the search, and set objectives relating to diversity for the longlist of candidates. The Nominations Committee is keeping the wider Board informed throughout the recruitment process, which is advancing well.

Inductions will be provided to all new Directors, covering an overview of OSE, its operations, portfolio and governance framework; a briefing on Directors responsibilities and compliance; and meetings with senior management.

The Nominations Committee continues to give consideration to the structure, size, and composition of the Board, having regard to the skills, knowledge, diversity, and experience of its members.

CHRIS CHAMBERS

Chair of the Nominations Committee

21 June 2023

INVESTMENT COMMITTEE REPORT

ROLE OF THE INVESTMENT COMMITTEE

The IC composition and processes are designed to ensure that:

- Decision-making is scalable, efficient and rapid;
- Rigorous standards are applied in a formal process that seeks to stop work on investment opportunities that are not suited to OSE's strategy as early as possible;
- Due diligence and investment analysis effort is proportionate to size and risk profile of investment opportunity; and
- Decisions are clear and consistent, but flexible when necessary.

2022 REVIEW

2022 saw the first full year of the Investment Committee operating under the updated Board approved Investment Committee policy. Ongoing refinement of the investment review process was undertaken to respond to broader market themes evident during 2022 in the life sciences as well as deeptech sectors. In particular this was to;

- Ensure the financial position of investee companies post investment remained robust and capable of enduring a prolonged period of market dislocation
- Strengthen the evaluation of impact and ESG criteria for each potential new investee company, according to OSE's current ESG policy
- Review thresholds at which investment and divestment decisions require Board approval

In particular during 2022, the Investment Committee considered two major divestment decisions, DJS Antibodies and MiroBio, according to the super-majority decision requirements for divestments.

Post Alexis Dormandy retiring as CEO in late 2022, the Investment Committee comprised of four voting members until the end of the year. Post year end, Heather Roxborough (Partner, Healthtech) joined the Investment Committee as a voting member and Alexis Zervoglos (Senior Partner, Technology) left the Investment Committee, to bring the potential total number of voting members to six of which four are currently occupied by Committee members.

INVESTMENT COMMITTEE COMPOSITION

The Investment Committee consisted of five permanent voting members for the majority of 2022, each of whom holds one vote. This breadth of scientific, business building, operational, talent management, and investment experience is complemented by specialised deep sub-sector domain knowledge of ad-hoc sector experts specific to each investment. Experts are drawn from a variety of networks, including OSE's own Board, the Company's senior adviser team, and a panel of external advisers. The Head of Corporate Finance and Head of Legal are non-voting attendees at the Investment Committee to contribute specialised domain input.

Three of the Investment Committee voting members must participate for a quorum.

The management teams of potential investee companies are often invited to present to the Investment Committee, particularly where there has not been a recent meeting, or in case of significant developments. Investment decisions are made by a simple majority vote, whilst divestment decisions require a 2/3 majority to reflect the final nature of these divestment decisions. This approval threshold encourages debate and constructive challenge to allow the Company to make appropriately balanced investment decisions.

The Investment Committee has a stated aim to encourage open and constructive debate between all attendees, including the management teams of any companies that come to present.

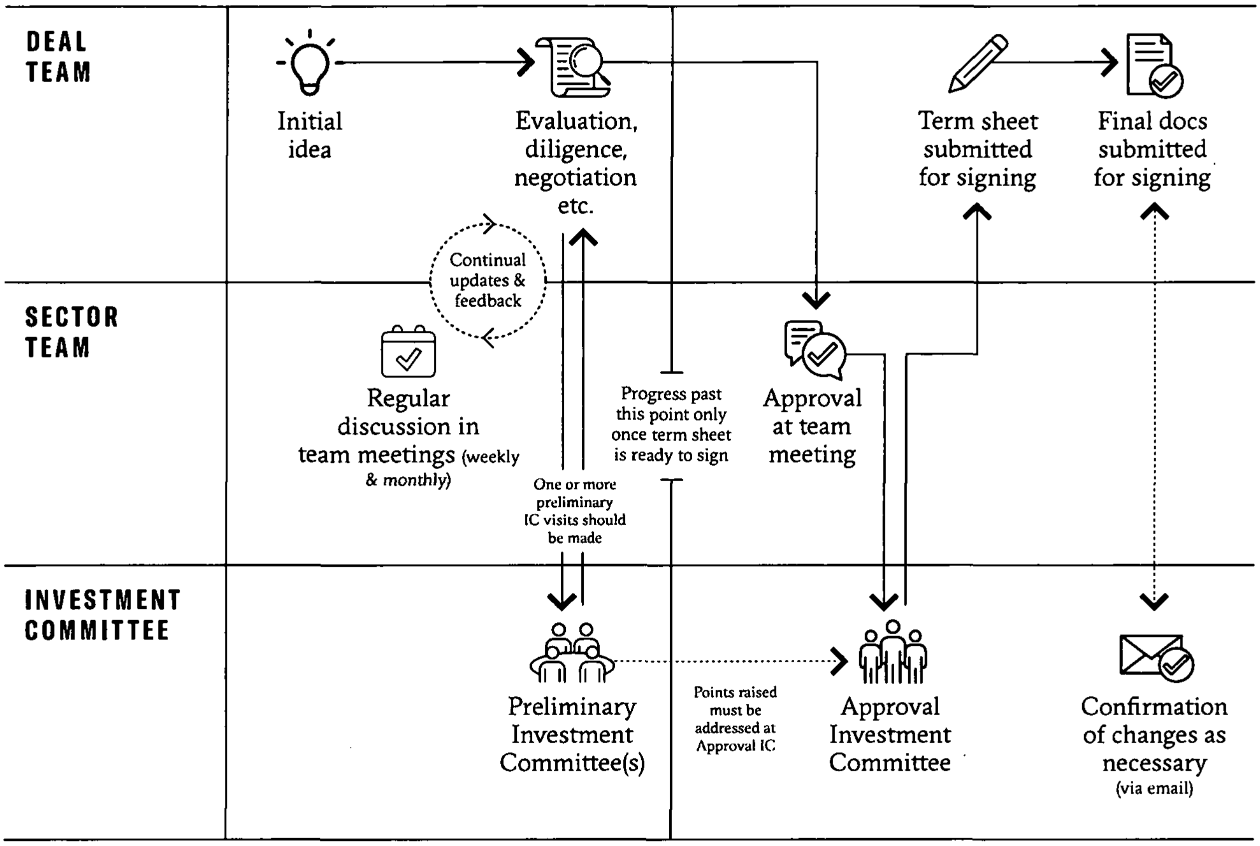
APPROVAL THRESHOLDS AND PROCESS

OSE Board approval is required for single investments in excess of 5% of NAV (£45 million for the first half of 2022 based on 31 December 2021, and £62 million for the second half of 2022 post completion of the OSE fund raise) or where the total OSE investment in a single company exceeds 10% of NAV for the first half of 2022 (£89 million based on 31 December 2021), and 5% of NAV for the second half of 2022 (£62 million) and going forwards. OSE Board approval is also required for all divestments in excess of 10% of NAV for the first half of 2022 (£89 million), and 5% of NAV during the second half of 2022 (£62 million) and going forwards.

Full Investment Committee approval is required for all other investment decisions, unless they fall within the Seed Investment Budget or Expedited Approval Process, each detailed below. Investment Committee approval is required for all divestments.

An Expedited Approval Process applies to lower risk investments, defined as: (i) releases of tranches of previously agreed investments; (ii) investments of up to £250,000 in an established company; or (iii) investments of up to £1 million where the investment is a follow-on investment for OSE and a third party investor is leading or co-leading the funding round. Expedited Approvals are submitted via written application to the Investment Committee, with an option for the investment to be called to an Investment Committee session if required.

INVESTMENT PROCESS FLOW CHART



Each of the Life Sciences and Tech teams are allocated a Seed Investment Budget which may be deployed without Investment Committee approval. The Life Sciences Seed Investment Budget may be used for investments up to £500,000, and is subject to an annual cap of £5 million. The Tech Seed Investment Budget may be used for investments up to £250,000 and is subject to an annual cap of £2.5 million. The Seed Investment Budgets are designed to support delivery of proof of concept data points to support later larger investment decisions in a nimble and efficient process.

Any capital deployment will require the support of the relevant Senior Partner for the sector.

The Investment Committee approval process is integrated with the investment process, designed to ensure efficiency and to give early clarity to potential investee companies regarding the Company's investment plans, as set out in the table above.

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires Directors to act in a way most likely to promote the success of the Company for its members as a whole. The Directors are required to have regard for, amongst other things: the interests of OSE's stakeholders, including its members and employees; the need to foster business relationships; impact on the community and environment; the desirability of maintaining a reputation for high standards of business conduct; the need to act fairly between the Company's members; and the long-term consequences of decisions.

The Company is not required to include a section 172 statement in its Annual Report, but has voluntarily determined to do so. The Directors are fully aware of their responsibilities to promote the success of OSE in accordance with section 172 of the Companies Act 2006. As required, the Head of Legal and Company Secretary advises and supports the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f).

The Board confirms that during the year the Board and its individual Directors have acted in a way that would be most likely to promote the success of the Company, for the benefit of its members as a whole, in the decisions made by the Board during the year. The Directors confirm that the deliberations of the Board, which underpin its decisions, incorporate appropriate regard to the matter as detailed in section 172(1) of the Companies Act 2006.

ENGAGEMENT WITH STAKEHOLDERS

OSE has a diverse range of stakeholders, including its shareholders; portfolio companies; Oxford University partners, academics and founders; OSE and portfolio companies' employees; and co-investors.

OSE is committed to a continuous dialogue with its shareholders to ensure that they have a good understanding of the Company's short, mid and long term strategy. It is the Board's responsibility to ensure that transparent communication and a constructive dialogue with shareholders takes place. OSE has a moderate number of shareholders (as at 16 June 2023, 136), and as such is able to engage on an individual basis with all shareholders who wish to have such engagement. The Board engages on a regular basis with shareholders; the Board's primary shareholder contact is through the Chair, the CEO, the CFO, and the Head of Investor Relations.

Several other Directors and employees also hold strong relationships with the Company's shareholders. The Company also communicates with shareholders at the time of the Annual General Meeting.

During 2022, in connection with the fundraising, OSE met with a good proportion of its shareholder base individually, to update on strategy, its implementation, financial performance, and to hear from stakeholders. OSE heard as part of this engagement that certain groups of shareholders would like to see clarity around liquidity of OSE shares and plans for realisations from portfolio exits. In response, the Board has assured shareholders that as investments increase in consequence of the increasing maturity of the portfolio, the Company will evaluate all options for providing liquidity to shareholders.

OSE publishes quarterly reports, the Annual Report, and both the executive team and Board hold regular meetings with major shareholders throughout the year. Bernard Taylor and Simon Boddie, who sit on the Board of Directors, are affiliated with Oxford University. OSE's leadership team also hold regular meetings with Oxford University Innovation (OUI), as well as other key personnel within the University, and within the MPLS and MSD divisions of the University.

OSE's Directors, leadership and investment teams, and Head of Investor Relations and Co-Investors hold strong relationships with co-investors and engage regularly with them, with the goal of further strengthening the Oxford innovation ecosystem and ensuring portfolio companies have supportive and relevant shareholders.

OSE holds regular meetings with the University of Oxford and Oxford University Innovation (OUI). These discussions included the University IP review, which was designed to maximise opportunities for positive impact on the local ecosystem and globally. They also addressed methods of spin-out sourcing; new opportunities and existing portfolio companies, including divestments in the year; optimisation and coordination of the spin-out process.

OSE has 49 employees and holds informal monthly meetings with all employees, which address strategy, leadership, objectives and current issues, with additional meetings as appropriate. Due to OSE's relatively small size and open working environment, there is a significant amount of day to day engagement between the OSE leadership and employees.

OSE also engages with government and industry bodies on relevant policy, with a view to supporting a strong innovation funding framework and ecosystem in the UK. In 2022, engagement focused on the government's changes to the R&D tax credit regime, which, as originally proposed, had particularly adverse effects for small early-stage companies. OSE welcomes the recent revision of this policy by government.

The Company aims to work responsibly with all its stakeholders and operates Anti-Bribery, Anti-Facilitation of Tax Evasion, Equal Opportunities and Whistleblowing policies.

During the year generally, and in relation to significant decisions, the Board considered information from all relevant areas of the Company, received presentations from management, reviewed papers and reports, and took part in discussions, which considered the impact of OSE's activities and Board decisions on its key stakeholders. These activities, together with direct engagement by the Board and individual Directors with the Company stakeholders, helped inform the Board's decision-making processes.

2022 KEY DECISIONS

The table below sets out how the Board considered the interests of stakeholders and the above factors in its decision-making during the year.

Significant event / decision	Key stakeholders	S172 considerations and impact
£250 MILLION FUNDRAISING	Shareholders; portfolio companies; employees of portfolio companies.	In determining the structure and amount of the fundraising, the Board considered the interests of OSE's shareholders, including the need to act fairly between members, the long-term consequences of decisions, and the desirability of maintaining a reputation for high standards of business conduct. The Board determined that the fundraising should be by way of a fully pre-emptive offer, protecting the interests of existing OSE shareholders by enabling them to participate up to their pro rata entitlement. The amount to be raised balanced the cash needs of OSE to enable it to implement its investment strategy through volatile markets, with the expected future uplift in NAV and responsibility to deliver benefit to existing shareholders from this uplift. In addition, whilst engaging with shareholders, the Board heard that several shareholders would like to see clarity around liquidity of OSE shares, and has assured shareholders that as the portfolio matures, all options for delivering liquidity to shareholders will be considered.
ADOPTION OF AMENDMENTS TO VALUATION POLICY	Shareholders.	The most significant area of risk in the Company's financial statements relates to the portfolio valuation, which, at the year end, had a carrying value of £785 million. OSE recognises shareholders' need for transparency, consistency, and objectivity regarding valuation of portfolio companies. In 2023, the Audit Committee reviewed the Company's valuation policy and determined that the committee should play an enhanced role in overseeing valuations, that there should be increased use of independent expert valuers, and made other changes to the Company's valuation policy which reduce the use of discretion in determining valuations. Kroll has undertaken valuation reviews on companies representing 55% of the portfolio by value. 9% of the portfolio by value is publicly listed and as such marked to market each quarter. The vast majority of the balance of the portfolio completed external fundraises during 2022. 87% of the portfolio by value has been subjected to testing by Deloitte.
DIVESTMENTS OF DJS AND MIROBIO	Shareholders; portfolio companies; co-investors; employees of portfolio companies.	OSE's goal is to maximise long-term return for its shareholders. The divestments of MiroBio and DJS were considered in the context of OSE's ambition to build large, world-leading companies. In taking divestment decisions, the Company seeks to balance maximisation of long-term returns for shareholders against risk. The disposal of MiroBio to Gilead for $405 million was announced in August. OSE had a 23% fully diluted stake in MiroBio and the exit represented a MM of 5.6x and IRR of 150%. The disposal of DJS Antibodies to AbbVie for $255 million plus potential milestone payments was announced in October; OSE had invested c.£2.5 million for its close to 30% fully diluted stake in DJS and, as such, this exit represented a MM of >20x and >97% IRR.
INVESTMENTS IN NEW SPIN-OUTS	Shareholders; employees of portfolio companies.	During 2022, the OSE team worked hard to ensure that the new business-creation machine functions strongly and continues to support a diverse portfolio that delivers strong growth to shareholders. During 2022, more than 200 opportunities were screened, resulting in the Investment Committee approving the creation of five new spin-outs, as well as investments in four new Oxford companies. When introducing companies to the portfolio, OSE's primary consideration is the delivery of value to shareholders, though the interests of other stakeholders are also considered. Many factors are taken into account, including the OSE impact goals, and financial returns, particularly OSE's ambition to build large, world-leading businesses.

DIRECTORS' REPORT

INFORMATION INCORPORATED INTO THE DIRECTORS' REPORT BY REFERENCE

Post Balance Sheet events	Note 26 to the Financial Statements on page 110.	Principal activity	Pages 10 to 13
Significant events affecting OSE	Pages 2 to 5, 20 to 25	KPIs	Page 26
Names of the Directors holding office, or who held office during 2022	Page 56	Corporate Governance Statement	Page 57
Results	Page 1	Principal risks and uncertainties	Pages 46 to 47
Structure of the Company's share capital and the rights attached to the Company's shares	Note 22 to the Financial Statements on pages 107 to 108.	Financial risk management objectives and policies, and use of financial instruments.	Note 24 to the Financial Statements on page 109.
Indication of future developments	Pages 4 to 5		

SUBSTANTIAL SHAREHOLDERS

As at 16 June 2023, the Company is aware of the following shareholders with interests of 3% or more in its Ordinary Share capital:

Shareholder	%
Braavos Funds[1,2]	19.3
Lansdowne Partners	14.9
University of Oxford	5.0
University of Oxford Endowment Fund	4.5
Qatar Investment Authority	4.3
M&G	4.2
The Wellcome Trust	3.1

The University of Oxford also holds 2,483,615 Special Shares in the capital of OSE, being 100% of the Special Shares in issue. Special Shares contain no rights to vote or to participate in distributions in excess of the amount paid up on such shares. Special Shares are a mechanism to give effect to the University's non-dilutable 5% interest in Ordinary Shares in OSE.

1 The Braavos Funds comprise Braavos Capital I LP, Braavos Capital II LP and Braavos Capital III LP, all of which are managed by investment advisor Braavos Investment Advisors LLP.
2 Sygnia Life Limited has an indirect interest in 10.61% of OSE's Ordinary Share capital through its holdings in the Braavos Funds.

DIRECTORS' INTERESTS IN OSE SHARES

The Directors who held office during 2022 had the following beneficial interests in the Ordinary Shares of the Company:

	16 June 2023	31 December 2022	31 December 2021
Chris Chambers	5,000,002	5,000,002	1,835,000
Bernard Taylor[1]	1,061,643	1,061,643	833,333
Andre Crawford-Brunt[2]	160,929,881	160,929,881	109,333,655
Richard Laxer[3]	112,000	112,000	Nil
Heather Preston[4]	112,000	112,000	Nil

1 Bernard Taylor's interest in shares is held through The Braveheart Settlement, of which he is a trustee, but not a beneficiary.
2 Andre Crawford-Brunt is a General Partner in Braavos Investment Advisers, the fund manager of the Braavos Funds, which are collectively a significant shareholder in OSE, holding 151,261,548 Ordinary Shares. Andre is also interested in 9,668,333 OSE Ordinary Shares which are held in trusts of which he is neither a trustee nor a beneficiary.
3 Richard Laxer has an option over 112,000 Ordinary Shares, the terms of which are described on page 64 of this Annual Report.
4 Heather Preston has an option over 112,000 Ordinary Shares, the terms of which are described on page 64 of this Annual Report.

Other than as set out above, there have been no changes in the interests of the current Directors, or Directors holding office during 2022, in shares in the capital of OSE.

SHARE CAPITAL

Details of the structure of the Company's share capital and the rights attached to the Company's shares are set out in note 22 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 and prevailing legislation.

Each year at the AGM, the Directors seek authority to allot shares for the following year. At the 2022 AGM, held on 8 November 2022, 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 an aggregate nominal amount of £5,224,880, representing two-thirds of the issued Ordinary Share capital on 11 October 2022, at any time up to the conclusion of the next AGM of the Company.

A further special resolution passed at the 2022 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 an aggregate nominal amount of £783,732, representing 10% of the issued Ordinary Share capital on 11 October 2022, each authority exercisable at any time up to the conclusion of the next AGM of the Company.

The Directors propose to renew authorities to allot equity securities at the Company's next AGM expected to be held in September 2023 in line with the revised Pre-Emption Group Statement of Principles 2022.

Under the Articles, the Company has authority to purchase its own Deferred Shares in accordance with the Act. No Deferred Shares are in issue. The Company is not otherwise authorised to purchase its own shares, and no authority to do so was taken at the Company's last AGM. The Company did not purchase any of its own shares, of any class, during the year.

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 EXPENDITURE

It is OSE's policy not to incur political expenditure or otherwise make cash contributions to political parties, and there is no intention of changing that policy.

The Companies Act 2006 is very broadly drafted in this area, and there is a concern that funding conferences or supporting organisations involved in policy review and regulatory reform may be captured under the Companies Act requirements relating to approval of political expenditure. Accordingly, at the AGM held on 8 November 2022, OSE shareholders passed a precautionary resolution to authorise OSE to make political donations and incur political expenditure, up to a maximum amount of £5,000, from the date of the AGM to the earlier of the date falling 15 months thereafter and the conclusion of the next AGM. At the forthcoming 2023 AGM, the Board intends to seek similar authority from shareholders.

No political expenditure has been incurred in 2022.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2021: Nil).

GOING CONCERN

OSE's cash and deposits[1] at 31 December 2022 was £467 million. In 2022, OSE had net cash inflows of £225 million, comprising a fundraise of £250 million, realisations[1] of £143 million ofset by operational expenses of £8 million and investments of £161 million.

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.

APPOINTMENT OF AUDITOR

Following a tender process, the Board appointed Deloitte LLP as auditor to replace BDO LLP in 2021. At the 2022 AGM, shareholders approved the appointment of Deloitte LLP as auditor to the Company. Resolutions regarding the re-appointment of Deloitte LLP as auditor to the Company will be put to shareholders at the 2023 AGM expected to be held in September 2023.

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.
- The Director has taken all steps that they ought to have taken as a Director in order to make themselves 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.

DIRECTORS' REPORT CONTINUED

DIRECTORS' RESPONSIBILITIES AND RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. 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, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and explained in the financial statements.
- Make an assessment of the Company's ability to continue as a going concern.

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.

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

The Directors confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole.
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Company taken as a whole, together with a description of the principal risks and uncertainties that it faces.

The Directors consider the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Directors' Report was approved by the Board of Directors on 20 June 2023.

CHRISTOPHER CHAMBERS
Chair of the Board

21 June 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Oxford Science Enterprises plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Oxford Science Enterprises plc (the 'Company'):
- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the statement of comprehensive income;
- the statement of financial position;
- the statement of cashflows;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom-adopted international accounting standards and IFRSs as issued by the IASB.

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as valuations and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud to be in relation to the valuation of those investments in the portfolio which involve the highest degree of complexity, estimation uncertainty and judgement. Our specific procedures performed to address it are described below:

- we have tested the design and implementation of the key controls identified;
- we gained an understanding of the methodologies applied by management in performing their valuations;
- we identified the key assumptions, and assessed the reasonability of those assumptions; and
- we tested key data inputs to available source evidence and involved in-house valuation specialists to assist us.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading the minutes of meetings charged with governance.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.

Julian Rae (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Reading, UK
21 June 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022 £'000	2021 £'000
Portfolio returns and revenue			
Change in fair value of equity investments	13	**9,674**	25,699
Changes in fair value of subsidiaries		**37,655**	10,633
Realised gain on equity investments		**103,895**	8,474
Change in fair value of financial instruments		**6,775**	392
Revenue from services and other income	4	**4,910**	2,846
		162,909	48,044
Administrative expenses			
Staff costs	9	**(9,334)**	(7,469)
LTIP charge	21	**(19,282)**	(9,564)
Depreciation	11	**(1,282)**	(917)
Share-based payment charge	9	**1,533**	(749)
Other administrative expenses		**(10,182)**	(11,068)
		(38,547)	(29,767)
Operating profit	7	**124,362**	18,277
Finance costs	8	**(887)**	(766)
Other finance income and interest receivable	8	**4,734**	(21)
Profit before taxation		**128,209**	17,490
Taxation	10	**193**	(10)
Profit and total comprehensive income for the year attributable to the shareholders		**128,402**	17,480

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**12,388**	12,916
Right-of-use assets	12	**17,700**	13,091
Equity investments	13	**589,862**	464,055
Investments in subsidiary undertakings	14	**240,385**	158,432
Equity Rights[iii]	15	**27,008**	12,866
Loans and advances	16	**372**	372
Other assets	17	**3,821**	5,239
Total non-current assets		**891,536**	666,971
Current assets			
Trade and other receivables	18	**25,564**	5,081
Debt instruments	19	**10,548**	18,412
Deposits		**125,527**	128,552
Corporation tax receivable		**195**	-
Cash and cash equivalents		**341,500**	113,897
Total current assets		**503,334**	265,942
Total assets		**1,394,870**	932,913
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	**7,837**	6,083
Share premium account	22	**901,920**	654,085
Employees benefit trust	23	**(6,121)**	(6,121)
Retained earnings		**367,693**	239,291
Total equity attributable to equity holders		**1,271,329**	893,338
Current liabilities			
Trade and other payables	20	**52,595**	12,649
Corporation tax payable		**-**	10
Lease liability	12	**2,435**	1,925
		55,030	14,584
Non-current liabilities			
Provisions for liabilities and charges	21	**30,524**	12,021
Lease liability	12	**22,497**	12,970
Other financial liabilities	20	**15,490**	-
		68,511	24,991
Total liabilities		**123,541**	39,575
Total equity and liabilities		**1,394,870**	932,913

Registered number: 9093331

The financial statements on pages 76 to 111 were approved by the Board of Directors and authorised for issue on 19 June 2023 and were signed on its behalf by:

JIM WILKINSON
Chief Financial Officer

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Operating activities			
Profit for the financial year before tax		**128,209**	17,490
Change in fair value of equity investments		**(9,674)**	(25,699)
Change in fair value of subsidiary investments		**(37,655)**	(11,878)
Change in fair value of financial instruments		**(100)**	3,200
Change in fair value of convertible loans		**(7,925)**	(5,942)
Gain on disposal of equity investments		**(90,873)**	(6,404)
Deferred consideration on disposals		**(13,021)**	(2,070)
Depreciation	11	**1,282**	917
Finance income		**(2,835)**	21
Share-based payment charge		**(1,533)**	749
Amortisation of right-of-use asset		**641**	1,860
Long-term provision charges		**207**	1,212
LTIP charge		**19,282**	10,809
Finance expense		**887**	766
Lease incentive		**6,206**	-
LAB10x fair value movement		**34**	285
LAB282 fair value movement		**973**	1,623
UCSF fair value movement		**339**	353
Corporation tax paid		**-**	(22,360)
Changes in working capital			
Carry scheme payments		**(1,010)**	-
(Increase)/decrease in debtors		**(713)**	143
Increase/(decrease) in creditors		**1,235**	(539)
Net cash outflow from operating activities		**(6,044)**	(35,464)
Investing activities			
Cash flow to/(from) deposits		**135,551**	(21,911)
Cash flow (from)/to deposits		**(132,526)**	28,002
Purchase of equity investments		**(110,324)**	(100,319)
Purchase of debt investments		**(7,721)**	(12,717)
Proceeds from sale of equity investments		**142,849**	20,254
Proceeds from equity investments		**5**	-
Payments to acquire tangible fixed assets	11	**(719)**	(6,296)
Repayment of Lab10x		**93**	-
Investment in subsidiary undertakings		**(42,684)**	(33,261)
Finance income		**1,599**	411
Repayment of debt instruments		**-**	50
Net cash outflow from investing activities		**(13,877)**	(125,787)
Cash flows from financing activities			
Repayments of principal on lease liability		**(652)**	(1,475)
Repayments of interest on lease liability		**(1,419)**	(433)
Lease repayments		**2**	-
Issue of share capital		**249,830**	-
Finance costs		**(237)**	(341)
Net cash from financing activities		**247,524**	(2,249)
Net increase/(decrease) in cash		**227,603**	(163,500)
Cash and cash equivalents at the beginning of the year		**113,897**	277,397
Cash and cash equivalents at the end of the year		**341,500**	113,897

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital £'000	Share premium[i] £'000	Employees benefit trust £'000	Retained earnings[ii] £'000	Total £'000
At 1 January 2021	6,083	654,085	(6,121)	221,811	875,858
Comprehensive income	-	-	-	17,480	17,480
At 31 December 2021	6,083	654,085	(6,121)	239,291	893,338
Issue of share capital	1,754	247,835	-	-	249,589
Comprehensive income	**-**	**-**	**-**	**128,402**	**128,402**
At 31 December 2022	**7,837**	**901,920**	**(6,121)**	**367,693**	**1,271,329**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Oxford Science Enterprises plc (the 'Company') is a public limited company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales (company number 09093331). The Company's registered office is at 46 Woodstock Road, Oxford, OX2 6HT. The Company is primarily involved in investing in early-stage science through to late-stage. The Company builds material positions in our companies at attractive valuations and leverages our operational platform to accelerate R&D and commercial scaling.

The functional currency of the financial statements is pounds sterling as that is the currency of the primary economic environment in which the Company operates. Amounts are rounded to the nearest thousand pounds unless otherwise stated. Foreign operations are included in accordance with the policies set out in the accounting policies.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, Long Term Incentive Plan (LTIP), equity rights and investments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The Company qualifies as an 'Investment Entity' as defined by IFRS 10 Consolidated Financial Statements and presents only separate financial statements. The Company has no subsidiary undertakings which are themselves investments entities or whose main purpose and activity is providing services that relate to the Company's investment activities. As such, the Company does not consolidate its investments in subsidiary undertakings and instead measures those investments at fair value through profit or loss in accordance with IFRS 9 Financial Instruments.

(i) Equity investments

The Company records equity investment assets at fair value through profit or loss. These 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, in accordance with IFRS 9.

(ii) Subsidiary undertakings

The Company records subsidiary undertaking assets, which are not themselves investment entities or whose main purpose and activity is not providing services that relate to the Company's investment activities at fair value through profit or loss. These 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, in accordance with IFRS 9.

Going concern

The Company currently has substantial cash reserves to meet working capital and investment requirements. As at 31 December 2022, the Company had cash and cash equivalents and deposits of £467 million. Accordingly, the Company has adopted the going concern basis in preparing these financial statements.

The Company continues to manage the impact of significant changes in macro-environment, with high inflation and the cost of living crisis and also the changes in the R&D tax credit regime by the government. The main risk to the Company is the long-term economic instability which could negatively impact the funding environment for our portfolio companies and the increased innovation costs on early-stage companies; the Board continues to monitor and assess this.

Change in fair value

Change in fair value of equity investments represents revaluation gains and losses on the Company's portfolio of investments. Realised gains 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 from services and other income

Revenue from services and other income includes revenue from services supplied to portfolio companies and rental income from subletting of office space and wet-lab space.

Revenue from services is generated within the United Kingdom and is stated exclusive of value added tax. Revenue from services and other income is recognised when the Company satisfies its performance obligations, in line with IFRS 15.

Rental income is generated within the United Kingdom from subletting of office space and wet-lab space, which is stated exclusive of value added tax. Rental income is recognised when the Company is satisfied the lease meets the definition of operating leases under IFRS 16. The Company recognises operating lease payments as income on a straight-line basis over the lease term.

Further detail is included in disclosure note 4.

Property, plant and equipment

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

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

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

2. ACCOUNTING POLICIES CONTINUED

Classification of financial assets continued

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

(ii) Debt instruments classified as at FVTOCI

The corporate bonds held by the Company are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Finance income - Other' line item (note 8) in profit or loss.

The Company designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

A financial asset is held for trading if either:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL.

In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Following the above, 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 hierarchy

In accordance with IFRS 13, the Company classifies 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.

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

2. ACCOUNTING POLICIES CONTINUED

Equity investments

Fair value is the underlying principle and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date" (IPEV guidelines, December 2022).

Valuation techniques used:

The fair value of unlisted securities is established using appropriate valuation techniques in line with IPEV guidelines. The selection of appropriate valuation techniques is considered on an individual basis in light of the nature, facts and circumstances of the investment and in the expected view of market participants. The Company selects valuation techniques which make maximum use of market-based inputs. Techniques are applied consistently from period to period, except where a change would result in better estimates of fair value. Several valuation techniques may be used so that the results of one technique may be used as a cross check/ corroboration of an alternative technique.

Valuation techniques used include:

- Quoted investments: the fair values of quoted investments are based on bid prices in an active market at the reporting date.
- Milestone approach: an assessment is made as to whether there is an indication of change in fair value based on a consideration of the relevant milestones typically agreed at the time of making the investment decision.
- Scenario analysis: a forward-looking method that considers one or more possible future scenarios. These methods include simplified scenario analysis and relative value scenario analysis, which tie to the fully diluted ("post-money") equity value, as well as full scenario analysis via the use of the probability-weighted expected return method (PWERM).
- Current value method: the estimation and allocation of the equity value to the various equity interests in a business as though the business were to be sold on the measurement date.
- Discounted cash flows: deriving the value of a business by calculating the present value of expected future cash flows.

The fair value indicated by a recent transaction is used to calibrate inputs used with valuation techniques, including those noted above. At each measurement date, an assessment is made as to whether changes or events subsequent to the relevant transaction would imply a change in the investment's fair value. The price of a recent investment is not considered a standalone valuation technique (see further considerations below). Where the current fair value of an investment is unchanged from the price of a recent financing, the Company refers to the valuation basis as 'Recent Financing'. The company values its equity investments on a Common stock equivalent method unless the capital structure is complex.

Price of recent investment:

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

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

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

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

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.

Debt instrument
The Company generally issues unsecured debt instruments which are convertible to equity at a future point in time. Such instruments contain a fixed discount rate on the future subscription price and bear interest for the duration of the loan. They are carried at fair value and remeasurements will be recognised as changes in fair value in the statements of comprehensive income.

Equity rights
The equity rights' asset represents the estimated 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 and Life Sciences Division of the University of Oxford, under the Framework Agreement signed with the University of Oxford in March 2015. OSE has received these rights for the period to March 2030 in return for the University of Oxford receiving a shareholding in OSE. 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 15.

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

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

Money market funds ('MMF') with a LVNAV, high credit rating, weighted average maturity of under 90 days, highly diverse portfolios and same day settlement terms are included within cash and cash equivalents. As at 31 December 2022, the Company held £279 million (2021: £45.2 million) in MMFs.

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 and other payables, which are subsequently recognised at amortised cost using the effective interest method.

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

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

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

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

2. ACCOUNTING POLICIES CONTINUED

LAB282 and LAB10x fund and University Challenge Seed Fund ('UCSF')

These are contractual arrangements with the University of Oxford and certain other parties. Funds committed by the parties are jointly invested into early stage scientific research projects, with OSE holding a right to receive equity in related spin-out companies. The funds are retained in separate bank accounts and administered either by OSE or by other committed parties. OSE measures its portion of the fund using Fair Value through Profit and Loss. Where a spin-out occurs, the accounting for the equity investment is performed in accordance with our Equity Investments policy. At the end of the contractual arrangement any unused funds are returned to the committed parties.

Long-term incentive plan ('LTIP')

The Company operates a Long-Term Investment Plan ('LTIP') for certain employees. The LTIP was adopted in 2020 and currently has 39 participants who have been issued with, or granted options over, special classes of shares in OSI Services Limited (a wholly owned subsidiary of the Company).

The LTIP comprises two parts the Vintage Plan (which rewards the participants by reference to portfolio investment growth and realisation) and the Value Plan (which rewards participants by reference to the rise in the Company's NAV per share).

Awards under the LTIP vest over a period of five to eight years with participants receiving liquidity through buy-out of the shares issued, either for cash or (at the sole discretion of the Remuneration Committee) in exchange for shares in the Company.

Given the substance of the awards it has been concluded that IAS 19 Employment Benefits, is the appropriate accounting standard to apply. Accordingly, the value of the liability is calculated as the PV of expected payments required to be made.

While an individual remains in employment service, the expected liability is remeasured at each period-end to take account of changes in assumptions with any change in the estimated liability being recognised through profit or loss as a remuneration (current service) cost over the remaining expected period of service.

Once an individual leaves employment service, any unsettled liability is recorded at present value with the discount being unwound over the period to settlement as interest on the LTIP liability.

With regard to retirees and any unvested Vintage Shares, the award continues to vest on the normal timetable as if employment had continued. As such, the amount of the liability is subject to change and is remeasured at each period-end through to eventual settlement with any change in liability being recognised as a past service cost.

Non-Executive Directors (NED) share options scheme

The Company granted share options to Non-Executive Directors which can be exercised in cash or equity at the option of the holder. The share-based payment transaction is accounted under IFRS 2 as a compound financial instrument with cash and equity components.

Initial recognition and measurement

The cash component (being the right to receive cash) is measured at fair value, applying an option pricing model to the rights granted and taking into account the terms and conditions upon which those rights were granted.

The equity component is measured using the fair value of the share options at the grant date.

Subsequent accounting

The cash component is measured at fair value at the end of each reporting period and the settlement date. Any changes in fair value will be recognised in profit or loss for the period.

The equity component will not be remeasured at the end of each reporting period and the settlement date.

University of Oxford option

The provisions for liabilities and charges includes the estimated present value of the extension option, written to the University of Oxford under the Framework Agreement signed with the University of Oxford in March 2015, to extend the agreement from 2030 to 2045. If extended OSE will receive these extended rights in return for the University of Oxford receiving an additional 5% shareholding in OSE. It is considered to be a derivative financial instrument and is designated as at fair value through profit and loss. Further details on the treatment of this liability are included in note 20.

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 Company's level 3 equity investments are measured at fair value for financial reporting purposes and include high levels of judgement in preparing the valuation. The Board of Directors of the Company has put in place a Valuations team, headed by the CFO, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third-party qualified valuers to perform the valuation where it deems it to be appropriate. The team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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. Key areas over which judgement is exercised include:

- Consideration of whether a funding round is at arm's length and therefore representative of fair value.
- The relevance of the price of recent investment as an input to fair value, which typically becomes more subjective as the time elapsed between the recent investment date and the balance sheet date increases.
- Where using valuation methods such as discounted cash flows or revenue multiples, the assumptions around inputs including the probability of achieving milestones and the discount rate used, and the choice of comparable companies used within revenue multiple analysis.

Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in note 13.

(ii) Long-term incentive plan ('LTIP')

In applying the Company's accounting policy in relation to the LTIP, the Company is required to make certain estimates and judgements. These estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The judgements that may have a significant risk of causing a material adjustment to the carrying amounts of the LTIP liability within the next financial year are discussed under key judgement.

In applying the Company's accounting policy in relation to the LTIP, the Directors have been required to apply judgement in determining whether the LTIP should be accounted for as a share-based payment transaction under IFRS 2 Share-based payment or as an other long-term benefit under IAS 19 Employee Benefits. In the judgement of the Directors it is appropriate to account for the LTIP under IAS 19. This is because it neither represents a cash-settled share-based payment arrangement (because the amount of cash received by the participants is not based on the price (or value) of the equity instruments of the Company or another company entity) nor an equity-settled share-based payment arrangement or share-based payment transactions with a settlement alternative (because the delivery of OSE shares, should it occur, would only be transient pending availability of the cash necessary to fund a buy-out).

Key estimates

The amount of the reward ultimately expected to arise under the LTIP is measured using a valuation model developed for the purpose.

The Company fair values the provision by using a valuation model. The model has various inputs from management, such as expected future rounds, exit dates, exit value which forecasts future NAV and liabilities due under the vintage scheme.

Key inputs used in the valuation model include:

- The length of employment service expected to be delivered by the participants
- Whether the participants will constitute good leavers, bad leavers or retirees when they leave the employment of the Company
- Forecast NAV per share growth
- Estimates realisations from investments
- Estimates future investment in investments

2. ACCOUNTING POLICIES CONTINUED

- Failure rates of the portfolio companies
- Discount rate

(iii) Equity Rights Asset and Other financial liability

The Equity rights asset (2022: £27m; 2021: £10m, see note 15) and the other financial liability (2022 £15m; 2021 £nil, see note 20) are held at fair value through profit and loss. These represent the projected future value of the founder equity in Oxford spinout companies under the University of Oxford framework agreement, and the option held by the university to extend the agreement past 2030 for 15 years in return for an additional 5% of OSE's share capital.

There are a number of assumptions used in performing the valuation of these two instruments, including the expected rate of spin-outs per year from the University, the failure rate associated with the spin-outs, dilution rate, the expected exit value and the discount rate applied to the valuations (see note 15 for key variables, which are consistently applied between the two instruments). Changes in these assumptions would typically be directionally the same in each instrument (ie would impact the income statement in the same way, either an increase or decrease) and could have a material impact on the future valuation of the instruments.

New and revised IFRSs and IFRICs applied with no material effect on the financial statements

The following relevant revised Standard have been applied in these financial statements. Their application has not had any significant impact on the impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

IFRS 9 - Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform.

Standards issued but not yet effective

At the date of authorisation of the Financial Statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 Amendments to IFRS 17) Insurance Contracts
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1 Classification of Liabilities as Current or Non-current
Amendments to IFRS 3 Reference to the Conceptual Framework
Amendments to IAS 16 Property, Plant and Equipment Proceeds before Intended Use
Annual Improvements to IFRS Amendments to IFRS 1 First time Adoption of International Financial Reporting Standards, IFRS 9 Standards 2018-2020 Cycle Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
Amendments to IAS 8 Definition of Accounting Estimates
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3. FINANCIAL RISK MANAGEMENT

As set out in the principal risks and uncertainties section on page 44, the Company is exposed, through its normal operations, to a number of financial risks, the most significant of which are market, liquidity and credit risks.

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

(a) Market risk

(i) Price risk

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

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

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

(ii) Interest rate risk

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

If the interest rate moves by 0.25% the interest income of the Company will move likewise by £1.2 million 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.

4. REVENUE FROM SERVICES

Revenue represents the invoiced value of services supplied to portfolio companies excluding value added tax.

	2022 £'000	2021 £'000
Revenue from services under IFRS 15	**768**	765
Revenue from operating leases under IFRS 16	**4,142**	2,081
	4,910	2,846

No material performance obligations under revenue contracts are outstanding as at 31 December 2022.

The following table analyses payments to be received across the remaining term of operating lease arrangements where the Company is the lessor:

	2022 £'000	2021 £'000
Within a year	**1,967**	2,713
2-5 years	**1,368**	1,890
Total undiscounted lease payments	**3,335**	4,603

All lease income is in relation to property leases for office and wet lab spaces.

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:

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**280**	400
	280	400

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2022 £'000	2021 £'000
Employee costs (see note 9)	**27,083**	17,782
Depreciation of right-of-use assets (see note 12)	**1,598**	1,865
Depreciation of tangible assets (see note 11)	**1,282**	917

8. FINANCE INCOME AND EXPENSES

Finance Income

	2022 £'000	2021 £'000
Interest income	**4,734**	(21)
	4,734	(21)

Finance Costs

	2022 £'000	2021 £'000
Finance costs	**887**	766
	887	766

9. EMPLOYEE COSTS

Employee costs (including Directors) for the Company comprise:

	2022 £'000	2021 £'000
Wages and salaries	**6,610**	6,493
Social security costs	**908**	805
Pension costs	**238**	171
Long-term bonus charge	**1,578**	-
LTIP charge	**19,282**	9,564
Share-based payment charge	**(1,533)**	749
	27,083	17,782

The average monthly number of persons (including the Executive Directors and Non-Executive Directors) employed by the Company during the year was 59 (2021: 50). Details of the Directors' remuneration can be found in the Remuneration Committee Report on pages 52.

The total emoluments paid to Directors in 2022 was £1.6 million (2021: £1.4 million) and the highest-paid Director received emoluments of £0.7 million (2021: £0.7 million). No pension payments have been paid to Directors or remain outstanding at the year-end.

No share awards have been exercised by Directors in 2022 or 2021.

There are two Directors that participate in the LTIP scheme. Amounts in relation to the LTIP become payable once certain performance criteria and the vesting period conditions have been met. £0.4 million (2021: nil) was paid during the year as these criteria were met. See note 21 for details of amounts provided in relation to the LTIP.

There are two Directors that participate in the NED scheme which was issued in 2022. Amounts in relation to the NED become payable once certain performance criteria and the vesting period conditions have been met. No amounts have been paid or have become payable during the year as these criteria have not yet been met.

10. TAXATION

	2022 £'000	2021 £'000
Current tax:		
Tax at the UK corporation tax rate of 19% (2021: 19%)	-	-
Adjustments in respect of prior years	**(193)**	10
Total current tax	-	-
Tax on profit on ordinary activities	**(193)**	10

Reconciliation of tax charge

	2022 £'000	2021 £'000
Profit/(loss) on ordinary activities before tax	**128,209**	17,490
Tax on loss on ordinary activities at standard corporation tax rate of 19% (2021: 19%)	**24,360**	3,323
Expenses not deductible for tax purposes	**106**	462
Fixed asset differences	**116**	129
Income not taxable for tax purposes	**(28,776)**	(8,518)
Movement on share-based payments	**3,372**	1,959
Adjustment in respect of prior periods	**(193)**	10
Chargeable gains/(losses)	**750**	114
Movement in tax losses arising not recognised	**72**	2,531
	(193)	10

At 31 December 2022, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £4.0 million (2021: £3.8 million). An analysis is shown below:

	2022		2021	
	Gross Amount £'000	Deferred tax balance £'000	Gross Amount £'000	Deferred tax balance £'000
Unused tax losses	**15,893**	**3,973**	15,219	3,804

At 31 December 2022, deductible temporary differences and unused tax losses, for which a deferred tax asset/(liability) has been recognised, totalled £nil (2021: £nil). An analysis is shown below:

	2022		2021	
	Gross Amount £'000	Deferred tax balance £'000	Gross Amount £'000	Deferred tax balance £'000
Temporary timing differences	**2,687**	**2,687**	1,410	353
Unused tax losses	**(2,687)**	**(2,687)**	(1,410)	(353)
	-	**-**	-	-

The UK corporation tax rate was 19% in the year to 31 December 2022 and this rate has been used for the purposes of preparing the tax disclosures. An increase in the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted at the balance sheet date, and the value of the deferred tax liability has been calculated at 25%, being the applicable rate when the liabilities are expected to be realised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. FIXED ASSETS

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost:			
At 1 January 2021	8,048	647	8,695
Additions	6,227	69	6,296
At 31 December 2021	14,275	716	14,991
Additions	620	145	765
Disposals	-	(11)	(11)
At 31 December 2022	**14,895**	**850**	**15,745**
Accumulated depreciation:			
At 1 January 2021	**732**	**426**	**1,158**
Charge for the year	**843**	**74**	**917**
At 31 December 2021	**1,575**	**500**	**2,075**
Charge for the year	**1,190**	**92**	**1,282**
At 31 December 2022	**2,765**	**592**	**3,357**
Carrying value			
At 31 December 2021	12,700	216	12,916
At 31 December 2022	**12,130**	**258**	**12,388**

There are no material contractual commitments in relation to the acquisition of property, plant and equipment.

12. RIGHT-OF-USE ASSETS: LEASES FOR LAND AND BUILDINGS

Right-of-use assets	£'000
Cost:	
At 1 January 2022	**17,277**
Additions	**13,099**
Revaluation	**(220)**
Disposal	**(7,199)**
At 31 December 2022	**22,957**
Accumulated depreciation:	
At 1 January 2022	**4,186**
Charge for the year	**1,598**
Disposal	**(527)**
At 31 December 2022	**5,257**
Carrying amount	
At 31 December 2022	**17,700**
At 31 December 2021	13,091

12. RIGHT-OF-USE ASSETS: LEASES FOR LAND AND BUILDINGS CONTINUED

Lease liabilities	£'000
At 1 January 2022	**14,895**
Interest	**651**
Additions	**13,099**
Disposal	**(7,848)**
Lease payments	**4,136**
At 31 December 2022	**24,933**
Current	2,435
Non-current	22,498

Lease payments are reviewed based on CPI movements. The Company completed a surrender and regrant for the Sherard Building with Kadans Science Partner 5 UK Limited in August 2022. The new terms of the lease is over 20 years with a break in year 15.

There are no residual values on the leases and dilapidations are £1.6 million (2021: £1.6 million).

Amounts included within fixed assets subject to operating leases are not material and therefore have not been disaggregated.

The following table analyses payments to be paid across the remaining term of operating lease arrangements where the Company is the lessee:

	2022 £'000	2021 £'000
Less than one year	**2,435**	1,905
One to five years	**11,375**	7,661
More than five years	**19,505**	4,500
Total undiscounted cash flows	**33,315**	14,066

All lease payments are in relation to property leases for office and wet-lab spaces.

13. INVESTMENT PORTFOLIO

	Level 1 equity investments in listed spin-out companies £'000	Level 3 equity investments in unquoted spin-out companies £'000	Total £'000
At 1 January 2021	-	339,481	339,481
Investments during the year (including founders share received)	5,537	122,917	128,454
Disposals during the period	-	(9,185)	(9,185)
Other transfers between hierarchy levels during the year	62,031	(62,031)	-
Transfer to subsidiary	-	(20,394)	(20,394)
Change in fair value in the year	(13,338)	39,037	25,699
At 31 December 2021	**54,230**	**409,825**	**464,055**
Investments during the year (including founders share received)	**6,425**	**127,189**	**133,614**
Other transfers between hierarchy levels during the year	**34,314**	**(34,314)**	
Disposals during the period	**(3)**	**(17,478)**	**(17,481)**
Change in fair value in the year	**(41,728)**	**51,402**	**9,674**
At 31 December 2022	**53,238**	**536,624**	**589,862**

Unquoted equity is measured in accordance with IPEV guidelines with reference to the most appropriate information available at the time of measurement. Where relevant, several valuation approaches are used in arriving at an estimate of fair value for an *individual asset.*

13. INVESTMENT PORTFOLIO CONTINUED

In terms of the valuation techniques used in arriving at our fair value estimate, the following table provides an analysis of the portfolio by primary valuation basis, with an associated sensitivity analysis by valuation category.

	2022 £'000	2021 £'000
Quoted	53,238	54,230
Recent financing <12 months	287,528	242,346
Recent financing >12 months	88,418	36,773
Other: Future market	24,252	63,396
Other: Commercial events	59,534	-
Other: Adjusted recent financing price based on past performance	76,892	67,310
Investment portfolio	589,862	464,055

In addition to recent financing transactions, significant unobservable inputs used in the fair value measurement include:

For valuations based primarily on future market/commercial events

- Financing and sale transactions, other market input or commercial events occurring after the valuation date but which are judged to be wholly or partially indicative of facts and circumstances in existence at the balance-sheet date
- Scenario probabilities

For valuations based primarily on adjusted recent financing price based on past performance

- Portfolio-company specific milestone analysis

Valuation sensitivities

Given the make up of our portfolio, we consider the key sensitivity to our portfolio valuation is around the discount or premium applied to fair value benchmark.

	2022 £'000	Weighted average sensitivity	Sensitivity £'000
Quoted	53,238	0.0%	-
Recent financing <12 months	287,528	2.0%	5,801
Recent financing >12 months	88,418	34.4%	30,442
Other: Future market	24,252	15.2%	3,683
Other: Commercial events	59,534	50.0%	29,767
Other: Adjusted recent financing price based on past performance	76,892	28.0%	21,522
Total unquoted portfolio	589,862		91,214

Each company in our portfolio is divided into the OSE sectors (and where relevant industry subsectors). Life science biotechnology companies are benchmarked against the SDPR S&P Biotech Index (XBI), life science tools and diagnostics companies are benchmarked against the S&P Life Science Tools & Diagnostics Index, health tech companies against the Nasdaq Lux Health Tech Index, and deep tech companies against the S&P Kensho New Economies Composite Index.

The size of the sensitivity for each category in the table above is determined by the largest movement of the relevant public market index over the applicable time period (12 months for those companies with recent funding greater than 12 months previously, future market, or adjusted recent financing price based on part performance, and 6 months for those companies with recent funding less than 12 months previously) for the companies in each category according to the (sub) sector index. A weighted average percentage sensitivity for each category is calculated according to the weight of companies valuation in each sector and subsector. The only company in commercial events is First Light Fusion against which a 50% sensitivity is applied.

In 2021, the sensitivities were done using a generic +/- 10% approach. For 2022, the company has moved to an appropriate public market benchmark.

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Transfers between levels are then made as if the transfer took place on the first day of the period in question, except in the cases of transfers between tiers based on an initial public offering ('IPO') of an investment wherein the changes in value prior to the IPO are calculated and reported in level 3, and those changes post are attributed to level 1.

Transfers between level 3 and level 1 occur when a previously unquoted investment undertakes an initial public offering, resulting in its equity becoming quoted on an active market. In the current period, transfers of this nature amounted to £34m (2021: £62m). Transfers between level 1 and level 3 would occur when a quoted investment's market becomes inactive, or the portfolio company elects to delist. There have been no instances in the current year (2021: no such instances).

Change in fair value in the year(i)

	2022 £'000	2021 £'000
Fair value gains (unrealised)	9,674	25,699

(i) Fair value movements include 51.4 m (2021: £62.5 m) of fair value gains and £42.7 m (2021: £49.1 m) of fair value losses.

Details of investee companies

Company	Registered office	Shareholding	Country
1715 Labs Limited	264 Banbury Road, Oxford, OX2 7DY	26%	UK
Ordinary Shares		28%	
A Ordinary Shares		0%	
Preferred Shares		38%	
Aistetic Limited	5 The Chambers, Vineyard, Abingdon, OX14 3PX	5%	UK
Ordinary Shares		5%	
Alloyed Limited	Unit 15 Oxford Industrial Park, Mead Road, Yarnton, OX5 1QU	34%	UK
Ordinary Shares		12%	
A Ordinary Shares		75%	
Preference Shares		26%	
Alethiomics Limited	Bioescalator, Innovation Building Roosevelt Drive, Oxford, OX3 7FZ	40%	UK
Ordinary Shares		7%	
Preferred Seed Shares		75%	
Amber Therapeutics	42 Sutherland Place, London, W2 5BY	14%	UK
Ordinary Shares		2%	
Preferred Shares		53%	
Animal Dynamics Limited	4610/20 Cascade Way, Oxford Business Park South, Oxford, OX4 2SU	28%	UK
Ordinary Shares		9%	
Seed Shares		0%	
Seed-2 Shares		69%	
Seed-3 Shares		53%	
Archangel Lightworks Limited	63 Bermondsey Street, London, SE1 3XF	23%	UK
Ordinary Shares		23%	
Argonaut Therapeutics Limited	Magdalen Centre, Robert Robinson Avenue, Oxford Science Park, Oxford, OX4 4GA	51%	UK
Ordinary shares		51%	

13. INVESTMENT PORTFOLIO CONTINUED

Company	Registered office	Shareholding	Country
Asymmetric Suzuki Reactions Limited	The Henley Building C/O Oxford Technology Management, Newtown Road, RG9 1HG	12%	UK
Ordinary shares		12%	
BehaVR	1690 Ring Rd Ste 110, Elizabethtown, Kentucky, 42701, United States	13%	USA
Ordinary Shares		11%	
Series A1 Shares		0%	
Series A2 Shares		0%	
Series A3 Shares		29%	
Series B1 Shares		19%	
Series B2 Shares		30%	
BibliU Limited	Ark Co-Working, 237 Pentonville Road, London, N1 9NJ	17%	UK
Ordinary A Shares		20%	
Ordinary B Shares		0%	
Ordinary C Shares		0%	
Deferred Shares		0%	
Preferred Shares		7%	
Blue Field Labs Limited	35 Ballards Lane, London, N3 1XW	1%	UK
Ordinary		1%	
B Ordinary		0%	
Bodle Technologies Limited	2 Chawley Park Cumnor Hill, Oxford, OX2 9GG	19%	UK
Ordinary shares		19%	
BreatheOx Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	3%	UK
Ordinary shares		3%	
Brill Power Limited	30 Upper High Street, Thame, OX9 3EZ	14%	UK
Ordinary Shares		5%	
A Ordinary Shares		46%	
A2 Series		14%	
Caristo Diagnostics Limited	New Barclay House, Botley Road, Oxford, OX2 0HP	12%	UK
Ordinary Shares		9%	
B Ordinary Shares		18%	
Circadian Therapeutics Limited	Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	60%	UK
Ordinary Shares		29%	
Preferred Shares		75%	
Preferred B Shares		0%	
Cocotec Limited	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG	4%	UK
Ordinary shares		4%	
Connido Limited	Accelerator, 35 Kingsland Road, London, E2 8AA	2%	UK
Ordinary shares		2%	
Cortex Organics Limited	2 Hinksey Court, Church Way, Oxford, OX2 9SX	8%	UK
Ordinary shares		8%	
Covatic Limited	412-413 Scott House, Gibb Street, Digbeth, Birmingham, B9 4AA	10%	UK
Ordinary Shares		10%	
A Ordinary Shares		17%	

Company	Registered office	Shareholding	Country
Credo Therapies	1 Vincent Square, London, SW1P 2PN	19%	UK
Ordinary Shares		9%	
Preferred Shares		38%	
Cristal Health Limited	Clarendon House, Cornmarket Street, Oxford, OX1 3HJ	6%	UK
Ordinary Shares		7%	
Seed Preferred Shares		0%	
Dark Blue Therapeutics Limited	Hayakawa, Edmund Halley Road, The Oxford Science Park, Oxford, OX4 4GB	11%	UK
Ordinary Shares		33%	
Series A Shares		7%	
Dark Horse Limited	71-75 Shelton Street, London, WC2H 9JQ	35%	UK
Ordinary Shares		46%	
Seed Preferred Shares		75%	
Diffblue Limited	Ramsey House, 10 St. Ebbes Street, Oxford, OX1 1PT	6%	UK
Ordinary Shares		26%	
Series A Shares		0%	
Effective Investing Limited	Windrush Court, Abingdon Business Park, OX14 1SY	19%	UK
Ordinary shares		25%	
Preference shares		15%	
Endlyz Therapeutics Inc	One Boston Place 201 Washington Str, Suite 3900, Boston MA 02108	12%	USA
Ordinary Shares		5%	
Preference Shares		23%	
Enzbond Limited	Unit 19 Wow Wembly, 284 Water Road, Wembley, HA0 1HX	25%	UK
Ordinary shares		75%	
Pre-A Round		10%	
Evolito	11-14 Oxford Industrial Park Mead Road, Yarnton, Kidlington, OX5 1QU	29%	UK
Growth Shares		0%	
Ordinary Shares		31%	
Evox Therapeutics Limited	Medawar Centre, East Building, Robert Robinson Avenue, Oxford, OX4 4GA	27%	UK
Ordinary Shares		60%	
A Preferred Shares		11%	
B Preferred Shares		12%	
First Light Fusion Limited	Unit 10 Mead Road, Yarnton, Kidlington, OX5 1QU	14%	UK
Ordinary Shares		15%	
Fluorok Limited	Begbroke Science Park Begbroke Hill, Woodstock Road, Begbroke, OX5 1PF	37%	UK
Ordinary Shares		8%	
Seed Preferred		75%	
GaitQ Limited	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG	1%	UK
Ordinary shares		1%	
Genomics Plc	King Charles House, Park End Street, Oxford, OX1 1JD	6%	UK
Ordinary shares		6%	
The Global Health Research Accelerator CIC	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	12%	UK
Ordinary shares		12%	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. INVESTMENT PORTFOLIO CONTINUED

Company	Registered office	Shareholding	Country
Grey Wolf Therapeutics	99 Park Drive, Milton, Abingdon, OX14 4RY	5%	UK
Ordinary shares		0%	
Series A Shares		0%	
Series B Shares		12%	
Ground Truth Labs Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	4%	UK
Ordinary shares		4%	
Global Malaria Vaccines	Wichertstr. 13, 10439 Berlin, Germany	19%	DE
Ordinary shares		19%	
GTT Analytics Limited	11 Binsey Lane, Oxford, OX2 0EX	2%	UK
Ordinary shares		2%	
Gyreox Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	7%	UK
Ordinary shares		7%	
Helio Display Materials Limited	Windsor House, Cornwall Road, Harrogate, HG1 2PW	1%	UK
Ordinary shares		1%	
A Ordinary shares		1%	
Hexr Limited	West Wing Somerset House, The Strand, London, WC2R 1LA	22%	UK
Ordinary shares		22%	
Preference shares		22%	
Huma Therapeutics Limited	13th Floor Millbank Tower, 21-24 Millbank, London, SW1P 4QP	1%	UK
Ordinary shares		1%	
Hydregen Limited	30 Upper High Street, Thame, OX9 3EZ	13%	UK
Ordinary Shares		13%	
IntraBio Inc	PO Box 1039, Charleston, SC 29502	1%	USA
Common Stock		1%	
Iota Sciences Limited	Begbroke Science Park Begbroke Hill, Woodstock Road, Yarnton, OX5 1PF	33%	UK
Ordinary shares		33%	
iOx Therapeutics Limited	The Broadgate Tower 8th Floor, 20 Primrose Street, London, EC2A 2EW	1%	UK
Ordinary Shares		1%	
Ivy Farm Technologies Limited	3rd Floor 1 Ashley Road, Altrincham, WA14 2DT	1%	UK
Ordinary Shares		3%	
Series A Preferred Shares		0%	
Seed 2 Preferred Shares		0%	
Deferred Shares		0%	
Kesmalea Therapeutics Limited	2nd Floor, 8 Bloomsbury Street, London, WC1B 3SR	7%	UK
A Ordinary Shares		0%	
B Ordinary Shares		0%	
A Preferred Shares		15%	
Growth Shares		0%	
Lilium Inc		2%	UK
Ordinary Shares		2%	
Living Optics Limited	Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	25%	UK
Ordinary shares		22%	
Series A shares		29%	

Company	Registered office	Shareholding	Country
Machine Discovery Limited	John Eccles House, Robert Robinson Avenue, Oxford Science Park, Oxford, OX4 4GP	5%	UK
Ordinary Shares		9%	
A Ordinary Shares		0%	
Metaboards Limited	Chawley Park, Cumnor Hill, Oxford, OX2 9GG	36%	UK
Ordinary Shares		35%	
Ordinary A Shares		58%	
Mind Foundry Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	15%	UK
Ordinary Shares		15%	
A Ordinary Shares		0%	
A Preference Shares		30%	
A2 Preference Shares		0%	
Mixergy Limited	30 Upper High Street, Thame, OX9 3EZ	17%	UK
Ordinary Shares		18%	
A Ordinary Shares		17%	
MoA Technology Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	24%	UK
Ordinary shares		25%	
Series B1 Shares		29%	
Series B2 Shares		0%	
Natural Capital Research	24 Greville Street, London, EC1N 8SS	11%	UK
Ordinary Shares		9%	
Preferred Shares		23%	
Navenio Limited	Ramsey House, 10 St Ebbes Street, Oxford, OX1 1PT	22%	UK
Ordinary Shares		24%	
Series A Shares		23%	
Growth Shares		0%	
Natural Capital Research	46 Woodstock Road, Oxford, OX2 6HT	11%	UK
Ordinary Shares		9%	
Preferred Shares		23%	
Ni2o Inc	1818 Library Street, Suite 500, Reston, VA 20200	1%	USA
Class A Common		2%	
Class E Common		0%	
Nucleome Therapeutics Limited(i)	Bioescalator Building, Roosevelt Drive, Oxford, OX3 7FZ	25%	UK
Ordinary Shares		10%	
A Ordinary Shares		75%	
Series A Preferred Shares		15%	
ODQA Renewable Energy Technologies Limited	85 Tottenham Court Road, 3rd Floor, Office Number 328, London, W1T 4TQ	26%	UK
Ordinary shares		29%	
Deferred shares		0%	
OMass Therapeutics Limited	The Schrödinger Building, Heatley Road, Oxford Science Park, Oxford, OX4 4GE	21%	UK
Ordinary Shares		33%	
Series A Shares		26%	
Series B Shares		15%	
Incentive Shares		0%	
Deferred Shares		0%	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. INVESTMENT PORTFOLIO CONTINUED

Company	Registered office	Shareholding	Country
Opsydia Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	22%	UK
Ordinary shares		29%	
A Ordinary Sahres		11%	
Orbit Discovery Limited	The Schrödinger Building, Heatley Road, Oxford, OX4 4GE	27%	UK
Ordinary Shares		26%	
Preference Shares		27%	
Deferred Shares		0%	
Orca Computing Limited	30 Eastbourne Terrace, Lower Ground Floor, London, W2 6LA	10%	UK
Ordinary shares		4%	
Ordinary A shares		18%	
Orfonyx Bio Limited	46 Woodstock Road, Oxford, OX2 6HT	35%	UK
Ordinary Shares		38%	
Preferred Seed Shares		74%	
Osler Diagnostics Limited	King Charles House, Park End Street, Oxford, OX1 1JD	23%	UK
Ordinary Shares		25%	
Series B Shares		20%	
OXDH Limited	The Cow Shed, 19 Wharf Road, Shillingford, Wallingford, OX10 7EW	3%	UK
Ordinary shares		3%	
Oxford Brain Diagnostic Limited	The Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	9%	UK
Ordinary shares		9%	
Oxford Endovascular Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	19%	UK
Ordinary shares		19%	
Sonosine Limited	The Centre Of Innovation And Enterprise, Oxford University Begbroke Science Park, Begbroke Hill, Woodstock Road, Begbroke, OX5 1PF	5%	UK
Ordinary shares		5%	
Oxford Flow Limited	Osney Mead, Oxford, OX2 0DP	35%	UK
Ordinary Shares		31%	
B Shares		75%	
P Shares		29%	
Oxford HighQ Limited	Centre For Innovation And Enterprise, Begbroke Science Park, Begbroke Hill, Kidlington, OX5 1PF	7%	UK
Ordinary Shares		7%	
Oxford Ionics Limited	Windsor House, Cornwall Road, Harrogate, HG1 2PW	18%	UK
Ordinary Shares		6%	
Seed Shares		33%	
Series A Sahres		22%	
Oxford Molecular Biosensors Limited	30 Upper High Street, Thame, OX9 3EZ	9%	UK
Ordinary Shares		9%	
Oxford Nanoimaging Limited	Linacre House Jordan Hill Business Park, Banbury Road, Oxford, OX2 8TA	22%	UK
Ordinary Shares		36%	
Series A Shares		22%	
Series B Shares		11%	
Oxlid Limited	2 Edith Road, Oxford, OX1 4QA	9%	
Ordinary Shares		9%	

Company	Registered office	Shareholding	Country
Oxford Quantum Circuits Limited	Aldgate Tower, 2 Leman Street, London, E1 8QN	24%	UK
Ordinary Shares		21%	
Series A1 Shares		34%	
Series A2 Shares		18%	
Series A3 Shares		0%	
Oxford Semantic Technologies Limited	2 Littlegate Street, Oxford, OX1 1QT	15%	UK
Ordinary Shares		15%	
Oxford Simcell Limited	Centre For Innovation And Enterprise Begbroke Science Park, Yarnton, Kidlington, OX5 1PF	5%	UK
Ordinary Shares		5%	
Oxsight Limited	Sandford Gate, Sandy Lane West, Oxford, OX4 6LB	4%	UK
Ordinary Shares		6%	
B Ordinary Shares		0%	
Oxstem Limited	First Floor, 23 Park End Street, Oxford, OX1 1HU	5%	UK
Ordinary Shares		5%	
OxVent Limited	1 Carnegie Road, Newbury, RG14 5DJ	2%	UK
Ordinary Shares		2%	
PepGen Inc	Suite 900, 1 Marina Park Drive, Boston MA 02210	22%	USA
Class A Common		9%	
Perspectum Diagnostics Limited	Gemini One John Smith Drive, Oxford Business Park South, Oxford, OX4 2LL	5%	UK
A Ordinary Shares		0%	
B Ordinary Shares		15%	
PhishAR Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	12%	UK
Ordinary Shares		12%	
PQShield Limited	267 (Prama House) Banbury Road, Summertown, Oxford, OX2 7HT	23%	UK
Ordinary Shares		18%	
Seed I Shares		60%	
Seed II Shares		17%	
Series A		17%	
Prenetics Limited	7thFloor, Prosperity Millennia Plaza, 663 King's Road, North Point	1%	HK
Ordinary Shares		1%	
Pro-Mapp Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	7%	UK
Ordinary Shares		7%	
Proxisense Limited	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG	27%	UK
Ordinary Shares		27%	
Qdot Technology Limited	30 Upper High Street, Thame, OX9 3EZ	6%	UK
Ordinary Shares		6%	
QuantrolOx	8 King Edward Street, Oxford, OX1 4HL	3%	UK
Ordinary Shares		3%	
Seed Shares		3%	
Quantum Dice Limited	264 Banbury Road, Oxford, OX2 7DY	1%	UK
Ordinary Shares		2%	
A Shares		0%	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. INVESTMENT PORTFOLIO CONTINUED

Company	Registered office	Shareholding	Country
Quantum Motion Technologies Limited	Nexus, Discovery Way, Leeds, LS2 3AA	20%	UK
Ordinary Shares		26%	
Preference Shares		16%	
C Ordinary Shares		0%	
Refeyn Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	25%	UK
Ordinary Shares		22%	
Series A1 Shares		25%	
Series A2 Shares		0%	
Series B Shares		32%	
B Ordinary Shares		0%	
Salience Labs Limited	30 Upper High Street, Thame, OX9 3EZ	18%	UK
Ordinary Shares		12%	
Deferred Shares		0%	
Seed Shares		36%	
Scenic Biotech B.V	Science Park 406 (4th Floor), 1098 XH, Amsterdam	9%	NL
Ordinary Shares		9%	
SerenOx Limited	Hampden House, Monument Business Park, Warpsgrove Lane, Chalgrove, Oxford, OX44 7RW	9%	UK
Ordinary Shares		9%	
Singula Bio Limited	20 Ambleside Drive, Headington, Oxford, OX3 0AG	4%	UK
Ordinary Shares		4%	
Seloxium Limited	Seloxium, The Agile Lab, Begbroke Science Park, OX5 1PF	32%	UK
Ordinary Shares		8%	
Seed Preffered Shares		63%	
Spintex Engineering Limited	Wood Centre For Innovation Stansfeld Park, Quarry Road, Headington, Oxford, OX3 8SB	2%	UK
Ordinary Shares		3%	
Ordinary A Shares		0%	
SpyBiotech Limited	7600 The Quorum, Alec Issigonis Way, Oxford Business Park North, OX4 2JZ	30%	UK
Ordinary Shares		15%	
Ordinary A Shares		75%	
Series A1 Shares		20%	
Series A2 Shares		0%	
T-Cypher Bio Holdings Limited	3rd Floor, The Sherard Building 3rd Floor, Edmund Halley Road, OX4 4DQ	49%	UK
Ordinary Shares		27%	
Preferred Seed Shares		52%	
Theolytics Limited	The Sherard Building, Edmund Halley Road, Oxford Science Park, Oxford, OX4 4DQ	22%	UK
Ordinary Shares		41%	
Series A Shares		6%	
Series A2 Shares		0%	
Ultromics Limited	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG	34%	UK
Ordinary Shares		39%	
Ordinary A Shares		32%	
Vaccitech Limited	The Schrödinger Building, Heatley Road, Oxford Science Park, Oxford, OX4 4GE	19%	UK
Ordinary Shares		19%	

Company	Registered office	Shareholding	Country
Wildbio Limited	115k Olympic Avenue 115k Olympic Avenue, Milton Park, Abingdon, OX14 4SA	31%	UK
Ordinary shares		12%	
A Ordinary shares		0%	
Seed shares		52%	
Xerion Healthcare Limited	30 Upper High Street, Thame, OX9 3EZ	8%	UK
Ordinary Shares		8%	
Zegami Limited	Magma House 16 Davy Court, Castle Mound Way, Rugby, CV23 0UZ	21%	UK
Ordinary Shares		21%	

All shareholdings disclosed are current holdings of the company (excludes unexercised options).

14. INVESTMENT OF SUBSIDIARY UNDERTAKINGS

Company	2022 £'000	2021 £'000
As at 1 January	**158,432**	84,156
Distribution from parent	**44,298**	62,398
Transfer of LTIP to subsidiary	**-**	1,245
Change in fair value in the year	**37,655**	10,633
As at 31 December	**240,385**	158,432

OSI Services Limited is 100% owned by OSI Midco Limited, wholly owned subsidiary of OSE.

OSI Services Limited holds 24.9% (2021: 24.9%) of the Group's equity investments. The Company introduced £44.3 million (2021: £62.4 million) of capital by way of investing cash on behalf of OSI Services Limited and transferring ownership of equity investments into OSI Services Limited. The net profits earned by OSI Services Limited was £38m (2021: £14m) and had aggregate net assets of £240m (2021: £158m). No other subsidaries have material profits or net assets.

Company/Share class	Principal activity	Registered office	Proportion of voting rights held	Proportion of nominal value held	Country
OSI Midco Limited	Dormant	46 Woodstock Road, Oxford, OX2 6HT	100%	100%	UK
Ordinary Shares			100%	100%	
Oxford Sciences Innovation Limited	Dormant	46 Woodstock Road, Oxford, OX2 6HT	100%	100%	UK
Ordinary Shares			100%	100%	
Silvis Quantum Limited	Dormant	46 Woodstock Road, Oxford, OX2 6HT	100%	100%	UK
Ordinary Shares			100%	100%	
OSI Services Limited	Support application of LTIP scheme	44 Esplanade, St Helier, Jersey, JE4 9WG	100%	94%	Jersey
Ordinary Shares			100%	100%	
Value A Shares			0%	0%	
Vintage A Shares			0%	0%	
Vintage B Shares			0%	0%	
Vintage C Shares			0%	0%	
Vintage D Shares			0%	0%	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. INVESTMENT OF SUBSIDIARY UNDERTAKINGS CONTINUED

The Company qualifies as an 'Investment Entity' as defined by IFRS 10 Consolidated Financial Statements. The Company has no subsidiary undertakings which are not themselves investments entities but whose main purpose and activity is providing services that relate to the Company's investment activities. As such, the Company does not consolidate its investments in subsidiary undertakings and instead measures those investments at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. See note 2.

All the companies are directly owned by OSE except for OSI Services Limited which is controlled via OSI Midco Limited.

15. EQUITY RIGHTS

	2022 £'000	2021 £'000
Balance at 1 January	**12,866**	15,657
Change in fair value	**14,142**	(2,791)
Balance at 31 December	**27,008**	12,866

Equity Rights represent the future value of Founders' Equity that will be received by OSE in spin-out companies from the University of Oxford's Science Divisions. OSE has the right to receive 5%-10% of the University's founder equity shares in any spin-out company from the University's MPLS and MSD Divisions.

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

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

	2022	2021
Number of spin-out companies from University of Oxford per annum	**10-22**	10
Number of years until exit event	**3-10**	3-10
Equity stake acquired by OSE	**5%-10%**	5%-10%
Dilution rates prior to exit as a result of subsequent financing for spin-out companies	**86-91%**	94%
Proportion of spin-out companies failing	**55%**	65%
Proportion of disposals that exit through an IPO	**20%**	20%
IPO valuations at exit	**£370m**	£370m
Proportion of disposals that exit through a trade sale	**25%**	15%
Disposal valuations through a trade sale	**£370m**	£370m
Discount rate	**15%**	15%

These variables result in a fair value of the Equity Rights asset of £28.5 million (2021: £12.8 million).

16. LOANS AND ADVANCES

	2022 £'000	2021 £'000
Other receivables	**372**	372
	372	372

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.

17. OTHER ASSETS

	LAB282 fund £'000	LAB10x fund £'000	UCSF £'000	Claredon £'000	Total £'000
1 January 2021	**3,156**	410	3,933	-	7,499
Change in fair value	**(1,623)**	(284)	(353)	-	(2,260)
31 December 2021	**1,533**	**126**	**3,580**	-	**5,239**
Additions	**-**	-	**-**	20	20
Change in fair value	**(973)**	(126)	(339)	-	(1,438)
31 December 2022	**560**	-	**3,241**	**20**	**3,821**

LAB282 FUND

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.

During the year, nil (2021: £0.8 million) 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. At the balance sheet date grants totalling £0.6 million (2021: £1.5 million) were recognised as the investment fair value.

LAB10X FUND

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

These funds are retained in a separate bank account that is administered by OSE and which contains £nil (2021: £1 million) of additional funding from Sensyne plc and Evotec SE.

During the year, £0.1 million (2021: £0.3 million) was invested in translational funding (and other related administration costs) which have been recognised in the profit and loss.

UCSF

UCSF is a contractual arrangement with the University of Oxford. The committed funds will be invested into research to the point of commercialisation. During the year, £0.3 million (2021: £0.4 million) was invested in projects 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.

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

CLAREDON LABS

Claredon Labs Limited is a joint venture with Clarendon LP GP Limited which holds 80,000 A shares of £0.01 each (issued for £80,000) and OSE holds 20,000 B shares of £0.01 each (issued for £20,000). Its principal activity is the development and management of real estate, specifically web lab space to be developed and leased to tenants form a property in Oxford (the "Clarendon Building"). The tenants of the Clarendon Building will be start-up technology companies, the majority of which will be investees of OSE.

The joint venture is accounted for under equity accounting and there are no profits available for distribition in FY2022.

18. TRADE AND OTHER RECEIVABLES

	2022 £'000	2021 £'000
Trade debtors	**892**	778
Prepayments and accrued income	**1,965**	809
Other receivables	**22,707**	3,494
	25,564	5,081

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.

Of the trade debtors balance, only £0.2 million (2021: £0.2 million) is overdue and, as such, any expected credit losses are considered immaterial for the purpose of provision.

Included in other receivables is deferred consideration of £19.9m (2021:£2.6m) from the sale of YASA, Mirobio and DJS.

19. DEBT INSTRUMENTS

	2022 £'000	2021 £'000
Balance at 1 January	**18,412**	37,940
Additions	**7,721**	12,717
Conversions	**(23,181)**	(32,688)
Change in fair value	**7,596**	443
Balance at 31 December	**10,548**	18,412

Convertible Loan Notes (CLNs) made to portfolio companies are convertible to equity at the point of the next funding round. The return, in the form of a discount to the subscription price of the recipient's equity instruments, are fixed and so there is no embedded derivative.

20. TRADE AND OTHER PAYABLES

	2022 £'000	2021 £'000
Trade payables	**953**	1,361
Social security and other taxation	**283**	207
Other accruals and deferred income	**5,687**	4,200
Other payables	**45,672**	6,881
	52,595	12,649

Included in other payables is £44.8 million (2021:4.6 million) relates to the sale of YASA, Mirobio and DJS payable on demand to OSI Services Limited and £0.5 million (2021: £2.1 million), which represents the fair value of the liability in respect of cash-settled share-based payments.

Included in accruals is £1.3 million (2021:nil) for royalty payments to Vaccitech.

OTHER LIABILITIES (NON-CURRENT)

	2022 £'000	2021 £'000
Other financial liabilities	**15,490**	-
	15,490	-

Other financial liabilities includes £15.5m (2021: £nil) which represents the value assigned to the option written to the University of Oxford to extend the framework agreement in 2030, which would result in the issuance of an additional 5% of the Company's share capital in return for a 15 year extension to the Founder Equity in Oxford spinout companies. The instrument is held at fair value through profit and loss and measured using a Black-Scholes model, with a strike price calculated as the projected equity rights value (key assumptions are consistent with the Equity Rights Asset shown in note 15).

21. PROVISIONS FOR LIABILITIES AND CHARGES

	2022 Long-term incentive plan £'000	2022 2% department charge £'000	2022 Other £'000	2022 £'000	2021 Long-term incentive plan £'000	2021 2% department charge £'000	2021 Other £'000	2021 £'000
At 1 January	**10,809**	**712**	**500**	**12,021**	-	-	8	8
Transfer of LTIP from subsidiary	**-**	**-**	**-**	**-**	1,245	-	-	1,245
Payment	**(1,010)**	**-**	**-**	**(1,010)**	-	-	(8)	(8)
Charges in the year	**19,282**	**12**	**219**	**19,513**	9,564	712	500	10,776
At 31 December	**29,081**	**724**	**719**	**30,524**	10,809	712	500	12,021

During the year, the Company recognised a charge of £19.3 million (2021: £9.6 million) in relation to the LTIP. This has been recognised through the income statement as a remuneration expense with a corresponding liability being recognised within creditors due after more than one year.

The Company implemented a more detailed and sophisticated model to evaluate the charge for the LTIP scheme in FY2021. The model evaluates from a bottom-up basis and predicts scenarios for each investment in the Company, with a failure rate and discount rate.

It is expected outflows in relation to the provision will occur between two and 15 years, which is expected to be settled by OSI Services Limited but relates to services received by OSE plc employees which will be settled by an intercompany.

Other provisions recognised during the year included long-term bonus incentives of £0.7 million (2021: £0.5 million) and charges relating to the 2% gift-back to departments on successful enterprises of £0.7 million (2021: £0.7 million). It is expected outflows in relation to the provisions will occur between two and 15 years.

22. EQUITY
SHARE CAPITAL

	2022 Number (m)	2022 £'000	2021 Number (m)	2021 £'000
Ordinary Shares of 1p each				
At 1 January	**608.3**	**6,083**	608.3	6,083
Addition	**175,4**	**1,754**	-	-
At 31 December	**783.7**	**7,837**	608.3	6,083

	2022 Number (m)	2022 £'000	2021 Number (m)	2021 £'000
Special Shares of 1p each				
At 1 January	**11.6**	**116**	11.6	116
Converted	**(8.8)**	**(88)**	-	-
At 31 December	**2.8**	**28.0**	11.6	116

22. EQUITY CONTINUED

OSE's share capital is divided into Ordinary Shares, Special Shares and Deferred Shares. There are no Deferred Shares in issue. The Ordinary Shares carry rights to dividends and to vote. Special Shares do not carry rights to vote. Special Shares automatically convert into Ordinary Shares in the event of a new issue of Ordinary Shares in order to give effect to the University's non-dilutable 5% interest in Ordinary Shares. On a new issue of Ordinary Shares, a number of Special Shares converts into such number of Ordinary Shares as equals 5% of the total number of Ordinary Shares issued (including those arising on conversion) pursuant to the new issue. In July 2022, £250 million was received from issuing 166,666,667 (2021: nil) new Ordinary Shares at £1.5 per share and 8,771,930 Special Shares were converted to Ordinary Shares to maintain the University of Oxford's 5% shareholding in line with the framework agreement.

In order to facilitate any future conversions of Special Shares required under the Articles and the Framework Agreement (for example, in the event of any further capital raising being carried out by the Company), the Company intends to seek shareholder approval to issue an appropriate number of Special Shares to the University at the next Annual General Meeting of the Company.

Share premium

Amount subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

Retained earnings

Cumulative net gains and losses recognised in the statement of comprehensive income net of associated share-based payments' credits.

Equity Rights value

The valuation of equity granted by the University of Oxford in its spin-outs, as consideration for its equity holding in OSE plc.

23. EMPLOYEE'S BENEFIT TRUST

	2022 £'000	2021 £'000
Balance at 1 January	**(6,121)**	(6,121)
Balance at 31 December	**(6,121)**	(6,121)

The Company has a JSOP to provide incentives to Directors and employees. At 31 December 2022, the following Ordinary Shares were held in the JSOP:

February 2016 - 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.

March 2017 - 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.

August 2017 - 3,000,000 with an initial participation price of £0.11 from the employees, with the trust holding the remainder of the market value of £1.20 for each share.

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

The Trust is controlled by OSE plc, therefore the cost is offset against the Company's equity. The Company funded the initial purchase of the awards by the Trust which is outstanding as at 31 December 2022, £6.1 million (2021: £6.1 million).

24. CATEGORISATION OF FINANCIAL INSTRUMENTS

Financial assets	Held at fair value through Profit and Loss £'000	Amortised cost £'000	Total £'000
At 31 December 2022			
Equity investments	**589,862**	**-**	**589,862**
Debt investments	**10,512**	**-**	**10,512**
Equity rights	**11,518**	**-**	**11,518**
Investment in subsidiary undertaking	**240,386**	**-**	**240,386**
Trade and other receivables	**-**	**23,599**	**23,599**
Deposits	**-**	**125,527**	**125,527**
Cash and cash equivalents	**-**	**341,500**	**341,500**
Total	**852,278**	**490,626**	**1,342,904**
At 31 December 2021			
Equity investments	464,055	-	464,055
Debt investments	18,412	-	18,412
Equity rights	12,866	-	12,866
Investment in subsidiary undertaking	158,432	-	158,432
Trade and other receivables	-	4,272	4,272
Deposits	-	128,552	128,552
Cash and cash equivalents	-	113,897	113,897
Total	653,765	246,721	900,486

There are financial liabilities at amortised cost of 52.6 million (2021: £12.6 million) that comprise trade payables, other payables and accounts.

Financial instruments are associated with inflation and rising interest rates risks. Please refer to the Risk Management section in the Annual Report on page 44 where they have been discussed.

25. RELATED-PARTY TRANSACTIONS

The Company has had related-party transactions during 2022 as follows:

(a) Expenses incurred by shareholders on the Company's behalf

These totalled £nil (2021: £1k) and were paid by the largest shareholder, Lansdowne Partners LLP. £nil (2021: £nil) was outstanding at 31 December 2022. These were expenses incurred by Lansdowne Partners LLP to the benefit of OSE which were recharged in accordance with the appointment letter of the NED.

(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	2022 £'000	2021 £'000
Revenue from services	**4,581**	2,203

Statement of financial position	2022 £'000	2021 £'000
Trade receivables	**892**	721

The Company purchased assets from Vaccitech plc, a portfolio company, for £302k (2021: nil) in relation to fit-out equipment for the Schrodinger building, all at arm's length. As at December 2022, £nil (2021: £nil) was outstanding.

25. RELATED-PARTY TRANSACTIONS CONTINUED

(b) Portfolio companies continued

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	2022 £'000	2021 £'000
Other receivables	**10,548**	14,164

(c) Key management

Compensation to key management comprises payments to Directors and the Senior Leadership Team of the Company that held positions during the year.

	2022	2021
Short-term employee benefit (i)	**2,762**	1,920
Post-employment benefits	**-**	-
Other long-term employee benefit (ii)	**7,944**	2,975
Terminaton benefits	**-**	-
Share-based payments (iii)	**(255)**	98
Total	**10,451**	4,993

(i) Represents key management personnel's base salaries and the cash-settled element of the annual bonus scheme.
(ii) Represents the accounting charge for LTIP.
(iii) Represents the accounting charge for JSOP.

(d) University of Oxford

The Company incurred £330k (2021: £1.9 million) 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 2022, £2k (2021: £271k) was owed by the Company and included in trade payables.

(e) Numis Securities Limited

Numis Securities Limited, a shareholder, charged the Company with fees of £72k (2021: £30k) in relation to a retainer fee during the year, all at arm's length. As at 31 December 2022, £36k (2021: £nil) was outstanding.

(f) Patchstack One Limited t/a Eporta

Patchstack One Ltd, from which Aneeqa Khan resigned on 31 December 2021, charged the Company with fees of £nil (2021: £281k) in relation to the property fit-out costs during the year, all at arm's length. As at 31 December 2022, £nil (2021: £nil) was outstanding.

26. POST-BALANCE SHEET EVENTS

The following investments have been completed since 31 December 2022:

Investments

- The Company invested £3.5 million in Ground Truth Labs Limited on 09/01/23.
- The Company invested £3 million in NeuHealth Limited on 12/01/23.
- The Company invested £1.1 million in Natural Capital Research Limited on 13/01/23.
- The Company invested £7 million in Animal Dynamics Limited on 20/01/23, in the form of a convertible loan note.
- The Company invested £1.1 million in Endlyz Inc on 31/01/23, in the form of a convertible loan note.
- The Company invested £6.8 million in Quantum Motion Technologies Limited on 01/02/23.
- The Company invested £0.9 million in Amber Therapeutics Limited on 01/02/23, in the form of a convertible loan note.
- The Company invested £4.4 million in Osler Diagnostics Limited on 08/02/23.
- The Company invested £2.75 million in Mixergy Limited on 08/02/23.
- The Company invested £2 million in NeuEdge Limited on 10/02/23.
- The Company invested £10m in Beacon Therapeutics Holdings Limited on 03/04/23.
- The Company invested £2m in Archangel Lightworks Limited on 03/04/23.
- The Company invested £6.2m in Caristo Diagnostics Limited on 05/04/23..
- The Company invested £4m in Isogenix Limited on 11/04/23.
- The Company invested £0.5m in Proxisense Limited on 17/04/23, in the form of a convertible loan note.
- The Company invested £6.2m in Prolific Technologies Inc on 25/04/23.
- The Company invested £2.3m in Evolito Limited on 25/04/23.
- The Company invested £0.5m in Human Centric DD Limited on 28/04/23, in the form of a convertible loan note.
- The Company invested £0.5m in T-Cypher Bio Limited on 09/05/23, in the form of a convertible loan note.
- The Company invested £0.8m in Credo Therapies Limited on 30/05/23.

Equity

- 297,500 Special shares have been converted to Ordinary shares to maintain the University of Oxford's 5% shareholding in line with the framework agreement.

PRO FORMA STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the year ended 31 December 2022

The Company introduced a new LTIP in 2020 which necessitated the incorporation of a new subsidiary OSI Services Limited, 100% owned by OSI Midco Limited. OSE plc transferred 24.9% of equity investment assets to OSI Services Limited. Oxford Science Enterprises plc is an investment company and therefore prepares statutory standalone company financial statements. The Directors manage the whole Group and portfolio as one.

The Company doesn't consolidate OSI Midco Limited in accordance with IFRS 10 due to the Company being an investment company and OSI Midco Limited not providing services to OSE plc (see note 2). In the statutory company financial statements for OSE plc, OSI Midco Limited is measured at fair value which is shown as an investment in subsidiary undertakings in the Company Statement of Financial position.

The following pro forma financial statements consolidates Oxford Science Enterprises plc and OSI Midco Limited (all other investments are held at fair value under equity investments) to present the overall performance and holdings of equity investments held under the control of the Company. The adjustments below are the movements if the OSI Midco Limited subsidiary was consolidated with OSE plc. These do not form part of the audited financial statements or notes to the financial statements.

There are no movements in the net asset value and are only presentational changes to help present the overall position of the assets under the control of the Company.

	Audited 2022 £'000	Adjustment 1	Unaudited Pro forma 2022 £'000	Unaudited Pro forma 2021 £'000
Portfolio returns and revenue				
Change in fair value of equity investments	9,674	3,208	12,882	34,220
Changes in fair value of subsidiaries	37,655	(37,655)	-	-
Realised gain on equity investments	103,895	34,447	138,342	10,615
Change in fair value of financial instruments	6,775		6,775	392
Revenue from services and other income	4,910		4,910	2,846
	162,909		162,909	48,073
Administrative expenses				
Staff costs	(9,334)		(9,334)	(7,469)
LTIP charge	(19,282)		(19,282)	(9,564)
Depreciation	(1,282)		(1,282)	(917)
Share-based payment charge	1,533		1,533	(749)
Other administrative expenses	(10,182)		(10,182)	(11,097)
	(38,547)		(38,547)	(29,796)
Operating profit/(loss)	124,362		124,362	18,277
Finance costs	(887)		(888)	(766)
Other finance income and interest receivable	4,734		4,734	(21)
Profit/(loss) before taxation	128,209		128,209	17,490
Taxation	193		193	(10)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to the shareholders	128,402		128,402	17,480

- Adjustment 1 - Removing the fair value movements in subsidiary undertakings and operating expenses borne by subsidiary undertakings (OSI Services Limited) and reclassified to change in fair value of equity investments and realised gains on equity investments if the Company was consolidated.

PRO FORMA STATEMENT OF FINANCIAL POSITION (UNAUDITED)

For the year ended 31 December 2022

	Audited 2022 £'000	Adjustment 1	Adjustment 2	Unaudited Pro forma 2022 £'000	Unaudited Pro forma 2021 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	12,388			12,388	12,916
Right-of-use assets	17,700			17,700	13,091
Equity investments	589,862	195,574		785,436	617,916
Investments in subsidiary undertakings	240,385	(195,574)	(44,811)	0	-
Equity rights	27,008			27,008	12,866
Loans and advances	372			372	372
Other assets	3,821			3,821	5,239
Total non-current assets	891,536			846,725	662,400
Current assets					
Trade and other receivables	25,564			25,564	5,081
Debt instruments	10,548			10,548	18,412
Deposits	125,527			125,527	128,552
Corporation tax receivable	195			195	-
Cash and cash equivalents	341,500			341,500	113,897
Total current assets	503,334			503,334	265,942
Total assets	1,394,870			1,350,059	928,342
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	7,837			7,837	6,083
Share premium account	901,920			901,920	654,085
Employees benefit trust	(6,121)			(6,121)	(6,121)
Retained earnings	367,693			367,693	239,291
Total equity attributable to equity holders	1,271,329			1,271,329	893,338
Current liabilities					
Trade and other payables	52,595		(44,811)	7,784	8,078
Corporation tax payable	0			0	10
Lease liability	2,435			2,435	1,925
Total current liabilities	55,030			10,219	10,013
Non-current liabilities					
Provisions for liabilities and charges	30,524			30,524	12,021
Lease liability	22,497			22,497	12,970
Other financial liabilities	15,490			15,490	-
	68,511			68,511	24,991
Total liabilities	123,541			78,730	35,004
Total equity and liabilities	1,394,870			1,350,059	928,342

- Adjustment 1 – Removing the fair value of the 24.9% assets held in OSI Services Limited and reclassify to equity investments.
- Adjustment 2 – Realised exits proceeds due to OSI Services Limited from OSE plc removed from trade and other payables and the fair value of subsidiary undertakings.

PRO FORMA STATEMENT OF CASH FLOW (UNAUDITED)

For the year ended 31 December 2022

		2022 £'000	Adjustment 1	Adjustment 2	Uaudited Proforma	2021 £'000
Operating activities						
Profit for the financial year before tax		128,209			128,209	17,490
Change in fair value of equity investments		(9,674)	(3,208)		(12,882)	(34,220)
Change in fair value of subsidiary investments		(37,655)	37,655		-	-
Change in fair value of financial instruments		(100)			(100)	3,200
Change in fair value of convertible loans		(7,925)			(7,925)	(5,942)
Gain on disposal of equity investments		(90,873)	(30,130)		(121,003)	(8,545)
Deferred consideration on disposals		(13,021)	(4,317)		(17,338)	(2,070)
Depreciation	10	1,282			1,282	917
Finance income		(2,835)			(2,835)	21
Share-based payment charge		(1,533)			(1,533)	749
Amortisation of right-of-use asset		641			641	1,860
Long-term provision charges		207			207	1,212
LTIP charge		19,282			19,282	9,564
Finance expense		887			887	766
Lease incentive		6,206			6,206	-
LAB10x fair value movement		34			34	285
LAB282 fair value movement		973			973	1,623
UCSF fair value movement		339			339	353
Corporation tax paid		-			-	(22,360)
Changes in working capital						
Carry scheme payments		(1,010)			(1,010)	-
(Increase)/decrease in debtors		(713)			(713)	143
Increase/(decrease) in creditors		1,235			1,235	(510)
Net cash outflow from operating activities		(6,044)			(6,044)	(35,464)
Investing activities						
Cash flow to/(from) deposits		135,551			135,551	(21,911)
Cash flow (from)/to deposits		(132,526)			(132,526)	28,002
Purchase of equity investments		(110,324)		(42,664)	(152,988)	(133,580)
Purchase of debt investments		(7,721)			(7,721)	(12,717)
Proceeds from sale of equity investments		142,849			142,849	20,254
Proceeds from equity investments		5			5	-
Payments to acquire tangible fixed assets	10	(719)			(719)	(6,296)
Repayment of Lab10x		93			93	-
Investment in subsidiary undertakings		(42,684)		42,664	(20)	-
Finance income		1,599			1,599	411
Repayment of debt instruments					-	50
Net cash outflow from investing activities		(13,877)			(13,877)	(125,787)
Cash flows from financing activities						
Repayments of principal on lease liability		(652)			(652)	(1,475)
Repayments of interest on lease liability		(1,419)			(1,419)	(433)
Lease repayments		2			2	-
Issue of share capital		249,830			249,830	-
Finance costs		(237)			(237)	(341)
Net cash from financing activities		247,524			247,524	(2,249)
Net increase/(decrease) in cash		227,603			227,603	(163,500)
Cash and cash equivalents at the beginning of the year		113,897			113,897	277,397
Cash and cash equivalents at the end of the year		341,500			341,500	113,897

- Adjustment 1 - Fair value movements of OSI Services Limited reclassified from fair value of subsidiary undertakings to changes in fair value, gain on disposal, LTIP charge and movement in working capital.
- Adjustment 2 - The Company purchases equity investments on behalf of OSI Services Limited through a capital contribution. The adjustment removes the investments made on behalf of OSI Services Limited and reclassifies to purchase of equity investments.

GLOSSARY

ALTERNATIVE PERFORMANCE MEASURES

The Company assesses performance using Alternative Performance Measures (APMs) which are not defined under IFRS. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Company. Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive-setting purposes

Definitions of the measures presented in the financial statements are set out below.

Metric	Definition	Calculation and Reconciliations	2022	2021
Portfolio IRR	Portfolio IRR is used to measure the performance of invested capital to show the return on the capital deployed.	Total portfolio valuation and realisations compared to the total capital invested into the portfolio companies, over the period from inception to date.	28%	29%
Total cash raised/cash raised in the year	Total cash raised since inception by issuing ordinary shares and cash raised in the year	Number of shares issued multiplied by the share price	863	613
		Balance at 1 January	613	613
		Issue of share capital	250	-
		Balance at 31 December	**863**	**613**
Net Asset Value (NAV) per share	Net Asset Value per share is used to represent value to shareholders per share.	Net Asset Value per ordinary share.	162p	147p
		Current year Net Assets	1,271	893
		Share capital	8	6
			162	**147**
NAV %	Net Asset Value per share is used to represent value to shareholders per share as a precentage.	Net Asset Value per ordinary share multiplied by 100%	10%	2%
		Current year Net Asset Value per share	162	147
		Prior year Net Asset Value per share	147	144
			10%	**2%**
Cash invested to date/ OSE invested	Cash invested to date is used to show the capital deployed since inception and in 2021 from OSE.	Total capital invested in the spin-out companies in the form of equity investments and convertible loan notes on a pro forma basis.	608	447
		Balance at 1 January	447	301
		Purchase of equity investments on pro forma	153	134
		Purchase of debt investments on pro forma	8	13
		Total for the year	**161**	**146**
		Balance at 31 December	**608**	**447**
Net investment	Cash invested in the year from OSE including the founder's equity	Number of companies created from the University of Oxford divided by inception of OSE.	178	146
Total raised by portfolio companies in the year	Total value of monetery assets raised by the company in the year	The total monetary value of the assets held in the investment portfolio by calculating the monetary value of each individual asset, then adding all of those values together.	604	620

GLOSSARY

ALTERNATIVE PERFORMANCE MEASURES continued

Metric	Definition	Calculation and Reconciliations	2022	2021
Portfolio Valuation	The total value of each asset class in the investment portfolio	The total value of each asset class in the investment portfolio as well as the total portfolio value. The value of each asset is verified by analysing the total performance, market trends and other factors.	785	618
University Spin-outs	University spin-outs is used to represent the number of companies created within the ecosystem.	Number of companies created from the University of Oxford divided by inception of OSE.	>20	>20
Total Realisations/ realisations in the year	Realisation is used to represent the sales proceeds on exited portfolio companies since inception and in the year.	Sales proceeds to date on exited portfolio companies and in the year.	311	168
		Balance at 1 January	168	148
		Movement in the year	143	20
		Balance at 31 December	**311**	**168**
Net Portfolio Gains	The positive value after aggregating the unrecognized market appreciation and losses applicable to the Investment Portfolio.	Fair value gain in 2022 divided by FY21 portfolio valuation.	24%	11%
		Change in fair value of equity investments	13	34
		Realised gain on equity investments	138	11
		Total for the year	**151**	**45**
		Prior year portfolio valuation	**618**	**425**
			24%	**11%**
Cash and deposits	Cash and deposits gives a view of the Company's available resources.	Cash and cash equivalent plus deposits.	467	242
		Cash and cash equivalents	342	114
		Deposits	126	129
		Total	**467**	**242**
Net fair value gain	Net fair value gain shows the unrealised gains within the whole portfolio.	Change in fair value of equity investments from the pro forma statement of comprehensive income.	13	34
Adjusted administrative expenses	Adjusted administrative expenses shows the underlying running costs of the Company.	Pro forma administrative expenses Less LTIP charge less share-based payment charge	21	19
		Other administrative expenses	39	30
		LTIP charge	19	10
		Share-based payment charge	-2	1
			21	**19**

Metric	Definition	Calculation and Reconciliations	2022	2021
Operating cost % of NAV	Operating expenses as a percentage of Net Asset Value	Total operating expenses divided by Net Asset Value	3%	3%
		Other administrative expenses	39	30
		Net Asset Value	1,271	893
			3%	**3%**
Net cash used in operating activities (finance review)	Net cash used in operating activities represents the cash used for non-investing activities.	Net cash inflow/(outflow) from operating activities from the pro forma less the corporation tax paid.	6	13
		Net cash inflow/(outflow) from operating activities from pro forma	6	35
		Less: Corporation tax paid	-	22
			6	**13**
Net tax paid (finance review)	Net tax paid represents the cash paid for corporation tax liabilities.	Net tax paid is calculated from the pro forma cash flow.	-	22
Net cash used in investing activities (finance review)	Net cash used in investing activities represents cash used for investments in equity and loans.	Purchase of equity investments and Purchase of debt investments from the pro forma.	161	146
		Purchase of equity investments on pro forma	153	134
		Purchase of debt investments on pro forma	8	13
		Total for the year	**161**	**146**
Other net cash movements from investing activities (finance review)	Net cash movement from investing activities represent cash movements from investing activities excluding new investments.	Net cash inflow/(outflow) from investing activities from pro forma less Net cash used in investing activities.	4	0
		Net cash inflow/(outflow) from investing activities on pro forma	14	126
		Less: Net cash used ininvesting activities (finance review)	161	146
		Less: Realisations	143	20
			4	**0**
Realisations (finance review)	Realisation is used to represent the sales proceeds on exited portfolio companies.	Sales proceeds on exited portfolio companies in the year.	143	20
Other (finance review)	Other represents cash movements other than operating and investment costs.	Net cash from financing activities from pro forma.	2	2
		Net cash from financing activities on pro forma	248	-2
		Less: Issue of share capital	-250	0
		Less: Issue of share capital	**-2**	**-2**

GLOSSARY

ALTERNATIVE PERFORMANCE MEASURES continued

Metric	Definition	Calculation and Reconciliations	2022	2021
Net finance (costs)/ income	Net finance (costs)/income is used to represent finance (costs)/income generated by the Company.	Finance costs and other finance income and interest receivable from pro forma statement of comprehensive income.	4	1
		Finance costs	-1	-1
		Other finance income and interest receivable	5	0
			4	-1
Net Investment in the year	Total invested during the year (including founders share received and converted CLNs)	Total investment in the year including Jersey (24.9%)	178	171
Net disposals in the year	Total costs of the investment on exits (including founders share received)	Total costs of the investment on exits (including founders share received)	23	12
Non-Financial KPIs				
Number of new portfolio investments	The number of portfolio investments that received initial capital from the Company during the year.	Total number of new portfolio companies in the year	9	8
Gender Pay Gap	An equality measure that shows the difference in pay between women and men calculated using the mean hourly rate of female and male employees expressed as a percentage. This does not include bonuses or advisors.	Total number of new portfolio companies in the year	32.89%	30%
Employee Satisfaction Survey	An anonymous survey where employees are asked to give their satisfaction rating on a 5 point scale for elements of employment which include job role, management, culture, reward and development.	An overall score is generated by totalling the positive scores (a count of 1 is given for every positive score for each question; these are then totalled and calculated as a percentage against the potential of all positive answers).	69%	N/A
Scope 1 Emissions	Direct emissions produced by the Company.	Calculated using Plan A's Carbon Manager (see page 32). Data not available for 2021 as fugitive emissions were not measured.	3.05 tCO_2e	N/A
Scope 2 Emissions	Indirect (owned) emissions from the Company's consumption of purchased energy.	Calculated using Plan A's Carbon Manager (see page 32). For 2022 Scope 2 emissions, monthly energy usage data calculated using averages, in months where readings were unavailable, or taken before or after month-end. 2021 Scope 2 emissions were calculated using national averages	10.52 tCO_2e	21.90 tCO_2e
Scope 3 Emissions	Indirect (not owned) emissions that are linked to the Company's operations.	Calculated using Plan A's Carbon Manager (see page 32). Due to data constraints, we have only measured a select number of categories within Scope 3 (see table on p. 32). Other areas of Scope 3 emissions, e.g. those associated with investments or the supply chain, have not been calculated.	141.76 tCO_2e	15.61 tCO_2e

	Definition
2% departmental gift	A scheme to gift back 2% of the founding stake in successful enterprises to the research department from which they originated to help fund more world-changing science.
CLN	Convertible Loan Notes.
Framework Agreement	The agreement dated 18 March 2015 and made between (1) the Company, (2) the University of Oxford and (3) OUI, as amended, further details of which are set out in paragraph 9 of Part IV of this memorandum.
HBV	Hepatitis B virus
Director independence	Independence as determined by the Company in accordance with the UK Corporate Governance Code (2018)
OSE	Oxford Science Enterprises plc.
Raised by our portfolio	Total capital raised by the spin-out companies, including OSE and third party investors.
Returned to academics	Cash received on exit by founding academics.
Value of University holdings	Net Asset Value per share value of their shareholding (including the Oxford University Endowment Management fund) plus the value of their holdings in the spin-outs marked at the last round price.
New portfolio investments	Companies OSE has invested for the first time.
Disposals on the portofolio	Companies or subsidiaries which were sold by OSE.
IRR	Internal Rate of Return is a financial metric used to assess the returns of an investment.
MM	Money Multiple measures the returns from investment, calculated by dividing the value of the returns and the amount of money invested.

COMPANY INFORMATION

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9093331

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DIRECTORS
Christopher Chambers (Non-Executive Chairman)
Jim Wilkinson (Chief Financial Officer)
Bernard Taylor CBE DL FRSC (Non-Executive Director)
Simon Boddie (Non-Executive Director)
Andre Crawford-Brunt (Non-Executive Director)
Heather Preston (Non-Executive Director)
Richard Laxer (Non-Executive Director)

COMPANY SECRETARY
Pinsent Masons Secretarial Limited
Athene Blakeman (Appointed 25 January 2022)

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