CO NO: 09093331

Oxford Sciences Innovation plc
Annual Report and Accounts 2020

BUILDING WORLD-CHANGING BUSINESSES

IMAGINE A WORLD WHERE ...

EARTH'S GREATEST SCIENTISTS AND ENTREPRENEURS WORK TOGETHER TO SOLVE THE WORLD'S TOUGHEST PROBLEMS AT UNPRECEDENTED SPEED

INTRODUCTION

Starting with the world's best science, we build world-changing businesses.

Since 2015, we have worked with over 200 of Oxford's leading academics to build a portfolio of close to 100 companies, worth over $2 billion, all based on Oxford Science.

From the Oxford-vaccine to breakthroughs in quantum computing, nuclear fusion and advanced medical diagnostics, our companies all have the potential to positively impact lives on a global scale.

Scientific breakthroughs can solve the world's toughest problems, from infectious diseases to natural resource shortages and rapid climate change, but only when they make it out of the lab.

We build world-changing businesses, bringing Oxford science to the world faster.

2020 HIGHLIGHTS

Portfolio companies
98

Lead companies
30

Net asset value per share
144p

Increase in NAV per share
23%

Cash invested to date*:
£301m

Portfolio valuation:
£425m

Net asset value:
£876m

Investment
- OSI invested £103m in the portfolio, including 6 new spinouts and 22 follow on rounds
- Significant Series A raises from OMass, PepGen, and Refeyn, as well as a Series B raise for Osler
- Portfolio companies raised over £250m (2019: £120m) of capital during the year, further strengthening the Oxford ecosystem

Portfolio
- Overall net increase in value of the portfolio of £134m (2019: £62m)
- A positive net fair value adjustment of £53.3m (2019: £11.8m)
- First major exit: Base Genomics sold to Exact Sciences for $410m (OSI owned 45% of Base Genomics)

Financial and operational
- Net assets of £876m (2019: £718m)
- Post-tax profit for the year of £158m (2019: £7m)
- Gross cash and deposits of £412m (2019: £389m)

* This number includes convertible loan notes but excludes £13m of investment in LAB282, OSI's biopharma accelerator programme (see Page 26)

THE WORLD'S BEST SCIENCE

The University of Oxford

The University of Oxford is home to some of the world's most innovative and creative scientific thinkers and leaders, ranked number 1 in the world for scientific research.

It employs over 1,800 academics, 5,000 research staff and 12,000 postgraduates, receives over £630 million annually in research funding, and has amongst its ranks 56 Nobel Prize winners.

Our unique partnership grants us unrivalled access to Oxford's academics, research, and IP within the Medical Sciences and Mathematics, Physical and Life Sciences Divisions.

Working with Oxford's leading academics, we identify cutting-edge research, scientific breakthroughs and advances in technology, and build world-changing businesses.

Our unique partnership

We entered into a 15 year framework agreement with the University in 2015.

As part of this agreement, OSI also receives an automatic and equal stake to the University in all new science spinouts.

OSI and the University's interests are aligned with the University also owning a stake in OSI.

As part of the agreement, OSI can only build businesses founded on science from the University and surrounding Culham and Harwell business parks that could benefit the portfolio.

#1
University world ranking

29
Science departments

+£630m
Research funding

56
Nobel Prize winners

Our focus

Medical Sciences Division (MSD)
MSD is an internationally recognised centre of excellence for biomedical and clinical research. The division has been ranked number 1 for the last 10 years by the Times Higher Education World University Rankings for clinical, pre-clinical, and health sciences.

MSD is the largest of the four academic divisions within the University, with over 5,000 academics, researchers, NHS clinicians and GPs, administrative staff, 1,500 graduate and 1,600 undergraduate students, together contributing to an extensive and exemplary research, teaching, and clinical portfolio.

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.

The division currently consists of 16 academic departments: Biochemistry; Experimental Psychology; Oncology; Paediatrics; Pharmacology; Physiology, Anatomy and Genetics; Primary Care Health Sciences and Psychiatry; the Nuffield Departments of Clinical Medicine; Clinical Neurosciences; Orthopaedics, Rheumatology and Musculoskeletal Sciences; Population Health; Surgical Sciences and Women's & Reproductive Health together with the Sir William Dunn School of Pathology and the Radcliffe Department of Medicine.

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 with DNA technology.

The division currently consists of 10 academic departments: Chemistry; Computer Science; Earth Sciences; Engineering Science (incorporating the Institute of Bio-medical Engineering); Materials; the Mathematical Institute; Physics; Plant Sciences; and Statistics and Zoology, as well as the Begbroke Science Park, the Doctoral Training Centre, and the Oxford e-Research Centre.

OUR PORTFOLIO AT A GLANCE

Life Sciences

World-leading biotech and biopharmaceutical businesses, advancing our understanding of human biology and disease, improving diagnosis and creating new therapeutics to prevent, treat, and ultimately cure.

Number of investments:

34

Value of investments:

£236.6m

Evox Therapeutics
MiroBio
Nucleome Therapeutics
OMass Therapeutics
PepGen
SpyBiotech
T-Cypher Bio
Vaccitech
Oxford Nanoimaging
Osler Diagnostics
Dark Blue Therapeutics

See more information on page 26

Healthtech

Transforming healthcare intelligently. These businesses range from AI-powered diagnostic tools to virtual reality therapy. By enabling doctors to prescribe increasingly preventative and personalised treatments, this cutting-edge technology will not only impact patients' lives, but entire healthcare systems.

Number of investments:

16

Value of investments:

£41.0m

Caristo Diagnostics
Oxford VR
Ultromics

See more information on page 28

Our portfolio of companies spans four sectors and represents scientific breakthroughs and disruptive technology innovation that can change the world.

Deep Tech

Disruptive innovation and meaningful engineering advances, these businesses are tackling the global resources crises, combatting scarcity in energy, water and food resources and unlocking new computational capabilities to leverage exponential growth in data.

Number of investments:

27

Value of investments:

£109.0m

- MoA Technology
- First Light Fusion
- Mixergy
- Alloyed
- Oxford Flow
- Refeyn
- Animal Dynamics
- YASA
- Orca Computing
- Oxford Ionics
- Oxford Quantum Circuits
- Quantum Motion Technologies
- Living Optics

See more information on page 30

Software & AI

Dramatically improving the accuracy, efficiency and data security of computer programmes, systems and processes, these businesses will bring new benefits to businesses and our broader society.

Number of investments:

21

Value of investments:

£38.3m

- Mind Foundry
- Navenio
- PQShield

See more information on page 32

CHAIRMAN'S REVIEW

We started OSI five years ago to bring Oxford science to the world and solve the world's toughest problems. We are delighted to see increasing evidence that our mission is becoming a reality: our portfolio companies are now beginning to make a real-world impact."

OSI entered 2020 financially strong with a clear mission: to build world-changing businesses, bringing Oxford science to the world faster. Against the backdrop of the COVID-19 pandemic, which created a new level of uncertainty for individuals, companies and economies worldwide, our purpose and reason for existing has never felt more inspiring.

In regard to COVID-19, we remained resilient and were quick to evolve our model, settling into alternative ways of working in the new virtual world. We worked closely with our portfolio, developing mitigation strategies to ensure their continued progress. As a result, despite the uncertain backdrop, 2020 has proven to be a successful year. We have made good progress, with a number of significant follow-on round investments, new strategic partnerships and commercial successes across the portfolio.

We are also immensely proud of the role our portfolio companies and Oxford science in general has played on the world stage in 2020: contributing not only to the fight against the pandemic but also to Oxford's growing reputation as a world-leading ecosystem for science and technlogy innovation.

Our portfolio companies have contributed in areas including quantifying cardiac involvement (Ultromics, in collaboration with the Mayo Clinic), AI location solutions to enable rapid response cleaning in NHS hospitals (Navenio), mapping the impact of Long-COVID (Perspectum), and of course the race to find a safe and effective vaccine (Vaccitech and SpyBiotech, see pages 10-11).

It is no accident that the technology behind not one but two of the vaccines currently approved for use and undergoing human trials originated from within our portfolio. We started OSI five years ago to bring Oxford science to the world and solve the world's toughest problems. We are delighted to see increasing evidence that our mission is becoming a reality: our portfolio companies are now beginning to make a real-world impact.

In 2020 we saw a number of important proof points which give us increased confidence in our model. We also began the process of broadening our team so we can continue to improve the support we provide to our portfolio companies as they mature and grow.

In this light, we were extremely pleased to welcome Alexis Dormandy as our new CEO. Alexis brings highly relevant science, technology, and investment experience and joins us from leading European venture capital firm Atomico. With invaluable vision and experience scaling companies, we as a Board are confident he is the right person to lead the next phase of OSI's development.

Alexis joined full time as CEO from January 2021. We would like to thank Jim Wilkinson for continuing to drive the business forward during his time as interim CEO. Jim will now return to his original role as Chief Financial Officer.

It is highly evident to us that Oxford remains a hugely fertile and comparatively untapped source of exciting IP and investment opportunities. During 2020 we saw 23 new companies spinout and 3 exits taking the total number of companies in our portfolio to 98 (versus 78 in 2019).

As the portfolio matures, more of our companies are seeking later stage rounds and investment demands are increasing. We saw £103 million of capital invested in our portfolio during 2020 almost twice the amount of 2019.

We have also seen increased external interest in our portfolio and further validation of our model. Firstly, we continue to attract high-quality validating capital with investors such as RA Capital and Northpond investing in the Oxford ecosystem for the first time and major corporates such as Georg Fisher and Aioi Nissay Dowa (the Japanese insurance group) taking stakes in our portfolio companies.

Secondly, we continue to excel at attracting the highest calibre of talent into OSI and our portfolio. All hires share our excitement about the potential of both the science and the growing ecosystem here in Oxford. Finally, we have seen further evidence of our portfolio companies striking meaningful commercial partnership deals with major industry players: Evox Therapeutics with Eli Lilly, Scenic Biotech with Genentech, and YASA nominated by AMG for the A sample.

2020 also saw our first major exit from our portfolio with the sale of Base Genomics to Exact Sciences for $410 million. While we remain focused on providing the necessary patient capital to back our companies from spinout through to eventual IPO or exit, our ultimate aim is to ensure Oxford's great ideas and science make an impact on the world, faster. Exact's ability to accelerate Base Genomics' work and commitment to investing here in Oxford, to build a centre of excellence for early-stage cancer detection, meant this was clearly the right decision to help improve patient outcomes quicker (see page 12).

We are greatly privileged to be working in Oxford with access to its world-leading science. Five years on, it is increasingly evident that OSI has an important role to play in building and growing the Oxford ecosystem, by ensuring breakthrough science is turned into credible businesses, and founders are connected with the right talent capital and expertise to ensure success. As a result, we have created a portfolio of companies that are capable of solving some of the world's toughest problems in areas such as public health, natural resource shortages and climate change. We measure our success not just in pure financial terms but by our broader impact on society (see page 40). We are also focused on ensuring that we conduct all of our operating and business activities in an honest, ethical and socially responsible manner, balancing the needs of all our stakeholders which include academics, university partners, investors, co-investors, our portfolio companies, our employees and our local and global communities.

We continue to build a talented and diverse team at OSI united behind one common mission. In what has been a challenging year, I would like to thank all our employees and those in our portfolio companies for their continued support, dedication, and commitment.

DocuSigned by:

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Christopher Chambers
Chairman
17/05/2021

IMAGINE A WORLD WHERE...

SAFE AND EFFECTIVE VACCINES ARE CREATED IN MONTHS RATHER THAN YEARS

The race to find a global coronavirus vaccine

In just a few short months, coronavirus emerged and changed life as we know it.

Unfortunately, until the current pandemic, vaccine research has been notoriously underfunded and neglected. But behind the scenes, Oxford academics had been preparing for just this type of scenario for years.

Following three major outbreaks – SARS in 2002, MERS in 2012 and Ebola in 2014 – OSI founded and created both Vaccitech and SpyBiotech, spinout companies from the University of Oxford's Jenner Institute. This funded the development of the underlying platform technologies and research that were instrumental in readying both the Oxford and Serum teams to move at pace during the pandemic.

At OSI, we are proud to have played a part in these stories and will continue to invest in vaccine technologies and research, ensuring we are ready to act again at speed when the next infectious disease or outbreak emerges.

Vaccitech

Co-inventors of the Oxford vaccine alongside Oxford University's Jenner Institute.

Vaccitech is a clinical stage biopharmaceutical company. Its ChAdOx technology platform, licensed from Oxford University, underpins the Oxford vaccine and a broad pipeline of prophylactic vaccine and immunotherapy candidates, designed to treat and prevent challenging infectious diseases and cancer, including therapeutics for: hepatitis B (HBV), human papillomavirus (HPV), prostate cancer and a vaccine for Middle East Respiratory Syndrome (MERS) – another coronavirus. Technical expertise and clinical data leveraged from development of the MERS vaccine was instrumental in enabling the Oxford COVID-19 vaccine team, led by Vaccitech co-founders Professors Sarah Gilbert and Adrian Hill, to move quickly.

Safe, effective, easily distributed and available on a non-profit basis during the pandemic and in perpetuity for low-income countries, the Oxford vaccine is a vaccine for the world.

Chief Executive Officer
Bill Enright

Company Created
March 2016

Oxford academics behind the science

Prof. Adrian Hill
Director of the Jenner Institute

Prof. Sarah Gilbert
Professor of Vaccinology

SpyBiotech

Creators of a unique "protein superglue" vaccine technology.

The star of this story is a "protein superglue" of unprecedented stability and stickiness.

The superglue technology can be combined with multiple vaccine delivery platforms to present antigens to the immune system with high specificity, creating a "plug and display" vaccine, critical for generating vaccines rapidly and safely. It can be used for an exceptionally broad range of applications and has already established proof-of-concept data in viral, bacterial, parasitic and chronic diseases as well as cancer.

In the case of COVID-19, SpyBiotech partnered with the Serum Institute of India. The vaccine, currently undergoing human clinical trials, combines the benefits of SpyBiotech's proprietary SpyCatcher/SpyTag protein superglue technology with the known safety and immunogenicity of the Serum Institute's hepatitis B surface antigen virus-like particle.

Chief Executive Officer
Prof. Sumi Biswas

Company Created
March 2017

Oxford academics behind the science

Prof. Mark Howarth
Professor of Protein Nanotechnology

Prof. Sumi Biswas
Associate Professor of Vaccinology

Prof. Simon Draper
Professor of Vaccinology & Translational Medicine

Dr. Jing Jin
Postdoctoral Researcher

IMAGINE A WORLD WHERE...

LATE-STAGE CANCER DETECTION IS A THING OF THE PAST

Base Genomics sold to Exact Sciences for $410m

In October 2020, we announced the sale of Base Genomics to Exact Sciences – one of the largest diagnostic deals of its kind in UK history.

Together, they look forward to developing a multi-cancer early detection blood test. This could ultimately be used to diagnose cancer before symptoms develop and administered as part of regular health checks – marking a major leap towards a new era of predictive medicine.

A breakthrough in early detection would have transformative effects not just on the lives of countless individuals, but on entire healthcare systems.

It could be one of the most impactful oncology products in history, making late cancer detection a thing of the past, saving more lives, and sparing unnecessary suffering.

Crucially, Exact will continue to build on the Base Genomics team here in Oxford, creating a world-leading research centre for early-stage cancer detection. A major step forward's in OSI's strategy to turn Oxford into a world-leading science and technology ecosystem.

At OSI, we were proud to act as the catalyst bringing together the entrepreneurial expertise, science, financial support and commercial know-how to create Base Genomics.

Base Genomics' journey is a demonstration of what can be achieved when our model works at its best.

Base Genomics

In 2018, Ollie Waterhouse joined OSI as an Entrepreneur in Residence. His ambition was to build a transformative diagnostics company based on cutting-edge Oxford research.

His search led him to the Ludwig Institute for Cancer Research, Oxford where he met Dr Chunxiao Song, Principal Investigator, and Dr Yibin Liu, Postdoctoral Research Scientist, inventors of a breakthrough epigenetic sequencing technology called TAPS.

Epigenetic sequencing detects methylated DNA – or DNA that has changed due to environmental, rather than solely genetic factors, that may be a precursor to cancerous cells.

Analysing DNA methylation is the most promising approach to detecting cancer early from a simple blood test, but current sequencing techniques are costly and abundant with errors.

Yibin and Chunxiao's breakthrough invention gave sensitive, accurate, and efficient results.

Base Genomics was announced to the world in June 2020 with an oversubscribed funding round, led by OSI, of $11 million.

Chief Executive Officer
Oliver Waterhouse

Company Created
June 2020 (inception 2018)

Company sold to Exact Sciences
October 2020

Oxford academics behind the science

Dr. Chunxiao Song
Principal Investigator

Dr. Yibin Liu
Postdoctoral Researcher

BUSINESS MODEL

Assets

Oxford science

Our unique partnership grants us unrivalled access to Oxford's academics, research and IP within the Medical Sciences and Mathematics, Physical and Life Sciences Divisions. We also receive an automatic share in any Oxford University spinout and can access scientific innovation from the Harwell and Culham Science Parks.

Patient capital

We have raised £613 million in patient capital from some of the world's leading investors with extensive commercial expertise. Our shareholders are deliberately diverse in background and are all committed to helping us build, scale and *grow innovative science and* technology companies.

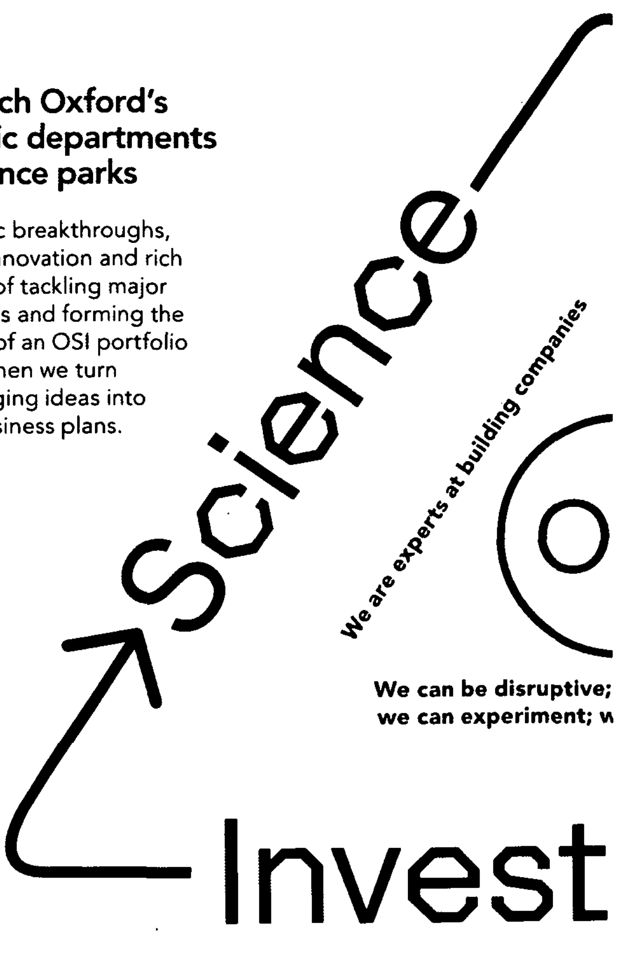
Global network

We are continuously building the OSI team, bringing in sector specialists as well as *Entrepreneurs and Scientists in Residence*, and expanding our global network of world-leading investors, industry-specific experts, entrepreneurs, corporate partners, and advisors.

We build world-changing businesses, bringing Oxford science to the world faster

We search Oxford's academic departments and science parks

For scientific breakthroughs, disruptive innovation and rich IP, capable of tackling major unmet needs and forming the foundation of an OSI portfolio company. Then we turn game-changing ideas into credible business plans.



Talent

We do what it takes to maximise impact faster

SI

we can be patient;
/e can supercharge

ment

We attract world-class talent to create and grow businesses

Matching Oxford's academics with world-class entrepreneurial talent, commercial expertise, and leading industry experts.

We allocate capital in ways that allow innovation and creativity to flourish

We are a group, not a fund, which means we can allocate capital as the Group and science requires and are not restricted by set timelines.

Impact

Growing portfolio of world-changing businesses, built on Oxford science

University and academics
We are building a growing ecosystem, where Oxford's leading academics collaborate with world-class talent and investors. As we successfully exit and or IPO investments we reinvest proceeds back into that ecosystem.

Co-investors
We are committed to working alongside co-investors who are specialists in their field and can help our companies deliver their visions faster, supercharging development.

Shareholders
As we build impactful and successful companies we aim to drive superior returns for shareholders in terms of NAV appreciation and ultimately share price.

Employees
We are committed to building a diverse, collaborative environment where all employees are passionate about their work and empowered to develop and thrive.

Our local community
We are creating value for our local community by helping build the Oxford ecosystem (see pages 18-19), creating new jobs and attracting new talent and investment to the region.

The world
Our companies all have the potential to impact our world positively: saving lives, improving our health, supporting the conservation of natural resources, reducing CO_2 emissions, and developing the technological building blocks needed to accelerate change and impact.

INVESTMENT MODEL

We invest from pre-seed through to exit, IPO, and beyond. Proceeds are reinvested back into the Oxford ecosystem to create even more world-changing businesses.

We are expert business builders and bring unique resources to inspire, accelerate, and maximise impact. Our strong balance sheet and evergreen group structure mean we can be disruptive; we can be patient; we can experiment; we can supercharge.

Find, evaluate & DD the science

Pre-Seed

Build the group & management

Seed

If appropriate, bring specialist value adde

Series A+

Driving impact and value for stakeholders

in
·d capital

Hold % of investments through to exit

Growth

Trade sale or IPO

Exit

We reinvest back into the University of Oxford, its scientific divisions, its academics and the next generation of cutting-edge research, to create even more world-changing businesses.

THE GROWING OXFORD ECOSYSTEM

Our model is working

1959 – 2015
- c. £500 million invested over 45 years
- Average of 4 new companies per year

2015 – 2020
- OSI founded in 2015
- c. £750 million invested in 5 years
- Average of 15-20 new companies per year

There has never been a more exciting time to be working in Oxford; as the ecosystem grows more Oxford science is making a positive impact on the world."

Chas Bountra, Pro Vice-Chancellor for Innovation, University of Oxford

Spun out companies

94

Jobs created in the region

>1,500

Value of portfolio companies

>£2bn

Invested in new lab and start-up space

>55,000 sq ft

Driven an increase in NAV

23%

CHIEF EXECUTIVE'S STATEMENT

We are privileged to work with Oxford's world-leading scientists...We need to ensure we are set-up to deliver on the scale of the opportunity that exists within Oxford."

Alexis Dormandy
Chief Executive

Throughout 2020 the need to increase collaboration to tackle the world's toughest problems, whether that be pandemic preparedness, the creation of safe and effective vaccines, or innovation to combat climate change, has never been more evident.

The Oxford vaccine has been an extraordinary feat of science at unprecedented speed, supercharged by the collaboration between academics, industry, capital, and government to help combat the worst pandemic in a century. A reminder, if ever we needed one, of the important and highly privileged role we have to play: leveraging Oxford's world-leading science to build world-changing businesses.

Five years on from when OSI was first created, the quality and variety of IP coming out of the University is greater than ever. As our early investments begin to mature, they are receiving increasing external interest and market traction.

This is visible not only in the quality of the talent and external capital that our companies are attracting, but also in the commercial deals and strategic partnerships they are signing with major corporates. All this in turn drives more investment back into the ecosystem, further strengthening Oxford science.

Meanwhile, having invested £301million into the portfolio over the last five years, OSI remains financially strong with £412 million of cash and deposits remaining on the balance sheet to invest in building the next vintage of world-changing companies, and scaling the ones we already own a stake in. In sum, our opportunity is more exciting than ever.

My focus is to ensure we are set up to deliver on the scale of the opportunity that exists here. We need to build scalable processes and a team capable of building a science-based portfolio many times the size of the one we have today.

World-class is an often-used expression, rarely used accurately. We are privileged to work with scientists that are literally the best in the world. Our obligation is to ensure that we are exceptionally good at identifying opportunities, and building the businesses that bring Oxford science to the world as fast as possible.

This translates into five priorities:

1) A *world-class company identification and* business creation machine
We are in a unique position; we have unrivalled access to Oxford's world-leading science and a rich pipeline of opportunities. Moreover, the financial and societal cost of missing a high-impact opportunity will be much greater than several small failures. We are therefore building systematic and scalable processes to identify the most compelling science and most exciting business opportunities, with a fail-fast mentality. To do this, we must be highly disciplined and create an impactful milestone-based programme that scales businesses by focusing time and efforts on the things that will help them make a bigger impact, faster.

2) Clear investment strategy
There is no doubt that our strong balance sheet and Group structure are strategic and competitive advantages. They not only allow us to fund our companies for the long-term but also allow us to find innovative ways to supercharge growth and impact. However, given the broad spread of our portfolio, by sector and stage, we need to understand the balance of risk and return across our companies, and to build explicit and scalable milestone-based investment processes that ensure we maximise our success.

3) Best-in-class business building
Our mission is to leverage Oxford's world-leading science to build world-changing companies. To do this, we need to ensure we have a world-class network of talent, sector-specific experts, and the value-added capital capable of not only supporting them on this journey but also accelerating it.

4) World-leading ecosystem
Our privileged position in Oxford, and the important role that we play, means that we must clearly articulate our offer and our mission. We must not only to attract potential talent and capital, but we must also to win over the hearts and minds of Oxford's world-leading academics. OSI sits at the nexus of research, technology, capital, and business-building and will not only attract interest in OSI and its portfolio but also the broader Oxford ecosystem.

5) 2030 organisation and talent
Finally, we need to build a team with the capabilities to support a portfolio much bigger than the one we have today. Over the last five years we have created a network of academics, employees, entrepreneurs, and advisers. This network recognises our privileged position and is driven not by financial returns, but by the potential of Oxford's science and the impact it can make on the world and to real people's lives. Our challenge will be to continue to attract and grow this expertise, and then direct this passion and capability to maximise commercial and societal impact.

If we do all of this well, we will build the positive feedback cycle of maximising the success of our portfolio, bringing the benefits of Oxford science to the world faster, driving significant returns for our investors, and reinvesting in the next generation of opportunities.

This mission motivates the team every day, and we look forward to making it a reality.

DocuSigned by:
Alexis Dormandy

Alexis Dormandy
Chief Executive
17/05/2021

PORTFOLIO REVIEW

Our 98 investments collectively represent deep innovation across the sciences.

2020 was a year of strong progress for the portfolio. As of 31 December 2020, the value of the group's portfolio increased by £134.2 million or 46% to £424.9 million (31 December 2019: £290.6 million). This increase was driven by a significant step-up in investment and a positive net fair value adjustment of £53.3 million, only partially off-set by £12.0 million related to disposals.

During the year, 23 new companies were added to the portfolio, 7 of which OSI invested in (including 6 new spinouts). We saw 3 exits across the portfolio in the year, and so as a result, the number of companies in our portfolio increased to 98 (2019: 78).

Our portfolio is managed and split across four key industry sectors: Life Sciences, Healthtech, Deep Tech, and Software & AI. Detailed sector reviews, including key group milestones and real-world impact case studies, follow this section.

Cash investments into the portfolio
OSI's investment in the portfolio increased to £103.2 million (2019: £58.3 million), of which £71.2 million (2019: £46.7 million) in the form of equity investment and £32 million (2019: £11.6 million) in the form of debt instruments. Net investment, which excludes unexercised convertible loan notes but includes founders' shares and converted convertible loan notes, was £93.0 million (2019: £51.3 million).

- **New spinouts:** The Group receives founding shares in all spinout companies from the University of Oxford, whether it makes a cash investment or not, as per the framework agreement between the Group and the University of Oxford. During 2020 we invested £15.6 million into 6 of these new spinouts leading the investments for Oxford Ionics, Base Genomics, Orca, Living Optics, Dark Blue Therapeutics, and T-Cypher Bio. As the portfolio matures, and to ensure our sector principals have sufficient bandwidth to focus on new opportunities, we continue to invest in new talent and have also stratified our portfolio into lead and independent companies, creating a new team to oversee our independent investments. Lead companies are those where OSI has a sizeable investment, often a Board seat and provides proactive strategic support and direction to help create, shape, and grow the business. Meanwhile independent investments are those where the group has either got to a stage where they require less hands-on involvement and support from OSI, or where OSI has a lower investment.
- **Follow-on investments**: During 2020, we saw a significant step-up in follow on investment into our existing portfolio at £54.5 million (2019: £33.6 million) as a number of our companies hit key commercial milestones and matured towards later and larger funding rounds. In total we completed 22 follow-on rounds across the portfolio. The largest included significant Series A raises for OMass, PepGen, and Refeyn as well as a Series B raise for Osler. In total our portfolio companies attracted over £250 million of investment, and we welcomed major new investors such as Northpond and RA Capital into the Oxford ecosystem. Our portfolio of companies and the science behind them is diverse, as such we continue to focus our efforts on securing value-added capital from Series A onwards in order to support not only the development of our companies but also that of the broader Oxford ecosystem.

Fair value increase in the portfolio
During 2020, we saw a number of our portfolio companies announce major commercial deals and new revenue streams. This has led to a fair value increase across the portfolio of £75.8 million, off-set against a fair value decrease of £22.5 million made against 9 investments due to a variety of reasons where there is doubt over commercial viability and disposals of £12.0 million. The largest positive impacts on fair value came from 6 key lead investments:

- **Evox:** £19.6 million revaluation gain following its commercial deals with Takeda and Eli Lilly and subsequent funding round.
- **Vaccitech**: £32.2 million revaluation gain following the successful results of the phase III COVID-19 vaccine trials.

- **Oxford Flow:** £3.1 million revaluation gain following the equity investment from Georg Fischer into the Group's water business.
- **Refeyn**: £6.2 million revaluation gain following its successful Series A raise led by Northpond Capital.
- **PepGen:** £6.8 million revaluation gain following its successful Series A raise led by RA Capital.
- **Mind Foundry:** £5.1 million revaluation gain following the equity investment from Nissai Dowai.

Exits

Finally, 2020 saw 3 company exits: Latent Logic, 6D.ai, and Base Genomics. The most significant exit by some measure was the Q4 sale of Base Genomics to Exact Sciences for $410 million, which was the largest life science tools and diagnostics transaction in UK history. Importantly, the deal included a commitment from Exact to continue to build on the Base Genomics team here in Oxford, leading to considerable investment in research and early-stage cancer detection within the ecosystem (see page 12 for details). OSI owned 45% of Base Genomics and the disposal led to a cash inflow to the Group of £143 million, compared to cash invested of £8.5 million.

PORTFOLIO FUNDRAISING HIGHLIGHTS

Q1

Alloyed
Animal Dynamics
OMass Therapeutics
Living Optics
Oxford Flow
Navenio

Q2

First Light Fusion
Base Genomics
Quantum Motion
PQ Shield
Oxford Ionics

Q3

Dark Blue Therapeutics

Q4

Osler Diagnostics
Refeyn
Caristo Diagnostics
T-Cypher Bio
MoA Technology
PepGen
Living Optics

PORTFOLIO REVIEW

Snapshot of maior investments in the Life Sciences portfolio

Focus Area	Company	Description	Fair value as at 31 December 2020, £'000
Therapeutic platforms	Evox Therapeutics	Harnessing and engineering the natural delivery capabilities of exosomes to develop an entirely novel class of biotherapeutics.	52,482
	MiroBio	Using the natural control mechanisms of the immune system for patients suffering from auto-immune diseases.	6,588
	Nucleome Therapeutics	Technology that can determine the 3D structure of DNA, decoding the function of the 'dark' genome – the 98% which lies outside of protein coding regions.	6,020
	OMass Therapeutics	High-resolution native mass spectrometry to drive drug discovery for immunology and genetic disease.	10,315
	PepGen	Unlocking the potential of oligo-based and gene therapies by leveraging the drug delivery capabilities of innovative peptide technology.	13,194
	SpyBiotech	Utilising unique protein superglue technology to develop vaccines against infectious disease and cancer.	5,000
	T-Cypher Bio	Spun out of Orbit's TCR drug discovery platform, OSI's first T-cell therapy company focused on building the next generation of cell therapies for solid tumors and immunological diseases.	4,278
	Vaccitech	Harnessing T-cell immunotherapy to treat and prevent infectious disease and cancer.	52,944
Enabling technologies	Oxford Nanoimaging	Creators of the Nanoimager, the world's first desktop-sized super-resolution microscope.	24,405
	Osler Diagnostics	The universal point-of-care diagnostic platform with lab-grade sensitivity.	38,445
Asset Centric	Dark Blue Therapeutics	Transforming oncology by harnessing our founder's novel biological insights into targeted therapies, including next generation therapies against DNA damage response.	4,892
Other investments (23 companies)			18,074
Life Sciences			**£236,637**

Snapshot of major investments in the Healthtech portfolio

Company	Description	Fair value as at 31 December 2020, £'000
Caristo Diagnostics	Transforming the diagnostic accuracy of routine coronary CT angiograms.	4,088
Oxford VR	Virtual reality for therapeutic treatment of psychological disorders.	8,144
Ultromics	AI interpretation of ultrasound imaging to treat cardiovascular disease.	14,046
Other investments (13 companies)		14,680
Healthtech		**£40,958**

Snapshot of major investments in the Deep Tech portfolio

Focus Area	Company	Description	Fair value as at 31 December 2020, £'000
Ag Tech	MoA Technology	Discovering the next generation of sustainable herbicide chemistries.	4,975
Energy Efficiency	First Light Fusion	Creating baseload clean energy using inertial confinement fusion.	12,102
	Mixergy	Flexible and efficient domestic hot water cylinder to deliver energy savings for consumers and Demand Side Response opportunities for suppliers.	2,004
Industry 4.0	Alloyed	Innovative alloy design for aerospace, automotive, industrial and biomedical applications.	13,794
	Oxford Flow	Small and light pressure control valves for water, oil and gas, reducing leaks and emissions and delivering smarter, more precise control.	15,662
	Refeyn	A revolutionary way to analyse molecules using mass photometry, a technology that uses light to weigh molecules.	15,293
Transport / Space	Animal Dynamics	Autonomous, super-efficient drones inspired by evolutionary biomechanics and designed with AI.	11,914
	YASA	Delivering smaller, lighter electric motors and controllers.	11,648
	Oxford Ionics	Creating high-performance quantum computers by combining trapped ions with a unique noiseless electronic qubit control technology.	1,541
	Oxford Quantum Circuits	Building the UK's most advanced superconducting quantum computer.	913
	Quantum Motion Technologies	Developing a scalable array of qubits based on the ubiquitous silicon technology already used in smartphones and computers.	4,441
Other investments (16 investments)			14,743
Deep Tech			**£109,030**

Snapshot of major investments in the Software & AI portfolio

Name	Description	Fair value as of 31 December 2020, £'000
Mind Foundry	Separating the signal from the noise. No-code, fast-build Machine Learning platform for data-rich analysis.	9,137
Navenio	Real-time platform for workforce efficiency and tasking in healthcare using proprietary smartphone indoor localisation.	7,439
PQShield	Defining the next generation of cryptography for a quantum age.	2,622
Other investments (18 companies)		19,059
Software & AI		**£38,257**

LIFE SCIENCES

Investment to date*	Companies	Focus Areas
£142m	34	3

Our Life Sciences portfolio represents a growing collection of world-leading biotech and biopharmaceutical companies, leveraging breakthrough scientific research to develop novel technologies and innovations that will advance our understanding of human biology and disease, improve diagnosis and create much needed therapeutics to prevent, treat and ultimately cure.

Our team work closely with all 16 departments across the Medical Sciences division and is focused on three key areas, investing in and building companies with:

- **Therapeutic platforms** – capable of generating a broad pipeline of products
- **Enabling technologies** – capable of extracting high-resolution data from biological systems
- **Single targets / assets** – accelerating the development of promising therapeutics for serious and debilitating diseases via LAB282

LAB282 is a biopharma accelerator programme, created in partnership with the University of Oxford, Oxford University Innovation, Evotec, and OSI in 2016. Designed to accelerate Oxford drug discovery, translating basic research in disease-related biological pathways into focused drug discovery projects, stimulating the formation of new companies and groundbreaking therapies.

To date, LAB282 has funded 25 projects. As a result, we have created a new portfolio company, Dark Blue Therapeutics, which will initially focus on single molecules coming out of LAB282 in the oncology space.

The Life Sciences team is increasingly driving a "thesis-driven" approach to investments and company creation. Key themes currently include: immunology, oncology, neurology, cell and gene therapy, genomics, gene delivery (enabler of gene therapy), next generation diagnostics, and health security (vaccines and diagnostics).

Key highlights for the Life Sciences team in 2020 include:

- **Vaccitech and SpyBiotech**: Key players in the race to find a global coronavirus vaccine (see pages 10-11).
- **OMass Therapeutics**: Completed an extended Series A round in Q1, raising an additional £27.5 million from existing investors Syncona and OSI and additional support from the University of Oxford.
- **Evox**: Two research collaboration and licensing agreements with Takeda and Eli Lilly with a total deal value of $2 billion.
- **Base Genomics**: Sold to Exact Sciences in Q3 for $410 million, representing a >13x net return on investment and one of the largest diagnostic deals of its kind in the UK (see pages 12-13).
- **Scenic Biotech:** Announced a strategic partnership with Genentech to discover, develop and commercialise novel therapeutics that target genetic modifiers – if all goes well the deal could potentially exceed $375 million.
- **PepGen**: Raised $45 million in Series A, led by RA Capital Management, one of the largest Series A rounds for a University of Oxford spinout on record.

Finally, our Life Sciences portfolio companies are leading the way in terms of valuation uplift to date with Evox (£37 million), Osler (£19 million), ONI (£14 million) and Vaccitech (£35 million) taking the top four spots.

* This number excludes £13m of investment in LAB282, OSI's biopharma accelerator programme.

IMAGINE A WORLD WHERE...

treatments exist for the most devastating genetic disorders

SPOTLIGHT ON:

PepGen

Muscular Dystrophies (MD) are a group of inherited genetic conditions that gradually cause the muscles to weaken and waste away, leading to an increasing level of disability.

Duchenne MD is one of the most common and devastating forms. The disease almost always affects boys and symptoms begin in early childhood, affecting the heart and muscles required for breathing. Those with the condition will usually only live into their 20s or 30s.

PepGen is focused on advancing peptide-mediated drug delivery. Peptides are short strings of amino acids (the building blocks of proteins), easily absorbed and transported round the body due to their small size.

PepGen's peptides form the core of the company's technological assets as highly effective drug delivery agents for cargo therapeutics, such as nucleic acids, whose poor biodistribution leads to efficacy issues.

Funding from PepGen's $45 million Series A round will be used to advance their next-generation cell-penetrating peptides conjugated to phosphorodiamidate morpholino oligomers (PPMOs), designed to correct genetic defects in DMD and other rare neuromuscular, neurologic and cardiac diseases.

PepGen's technology is capable of dramatically improving the reach and delivery of life-saving drugs to all organs and tissues affected by these devastating conditions, while also improving safety compared with competing therapies.

Notably, a unique distinction of the PepGen peptides is their ability to penetrate cardiac tissue, addressing a major and growing problem that DMD patients face as they age.

Virtually all Duchenne patients have cardiomyopathy. PepGen represents real hope and promises real impact for these patients and their families.

pepgen.com

Twitter: @PepGenTx

HEALTHTECH

Investments to date

£32m

Companies

16

Our Healthtech portfolio features companies that will transform healthcare intelligently. The cutting-edge science will not only impact patients' lives but entire healthcare systems, enabling doctors to better understand complex diseases and prescribe increasingly preventative and personalised treatments.

From AI-powered diagnostic tools, to virtual reality therapy, the portfolio includes technology and innovations that will transform diagnosis and treatment in areas including, but not limited to, mental health, cardiovascular, chronic and neurological diseases.

Our team focused efforts this year on uncovering disruptive innovations in devices such as neural interfaces, next generation medical imaging applications, and intelligent data and algorithms that could enable AI for drug discovery.

In 2020, the Healthtech team reviewed over 50 Oxford University spinout opportunities. They ranged from early seed to Series A across medical devices, big data and drug discovery, AI-enabled diagnostics, imaging, virtual clinical trials, and remote care.

Key highlights during the year from our Healthtech portfolio include:

- **Ultromics:** Applies AI to echocardiography, supporting earlier detection and better diagnosis of heart disease. 2020 has been a busy and productive year for the Ultromics team with their key tool, the EchoGo Pro, receiving CE Mark accreditation in April and FDA approval early in 2021. In May 2020, Ultromics announced a major collaboration with the Mayo Clinic aimed at optimising the use of AI tools in care pathways, which involved Mayo taking an equity stake in the business. Finally, in September, Ultromics was announced as one of the 44 winners of the NHSX AI awards. As a result, EchoGo was rolled out in 30 hospitals across the UK, helping doctors to diagnose heart disease more efficiently – it is now available for all NHS trusts to use.
- **Caristo Diagnostics**: AI-based technology that significantly improves our ability to predict heart attacks, using information already present in routine CT scans (see case study). This technology has the potential to transform patient outcomes, allowing doctors to prescribe early interventions for patients most at risk. Caristo was also a winner of the NHSX AI awards and during the final quarter of 2020 raised £8 million in Series A funding, backed by BGF and existing investors as well as the British Heart Foundation. The funds raised will be used to: obtain regulatory approval (CE and FDA) for Caristo's main product, launch in the EU, commercialise in the US, and progress similar technologies capable of predicting strokes and diabetes years in advance.

Looking ahead to 2021, the Healthtech team will continue to pursue disruptive opportunities that tackle pervasive challenges in chronic disease prevention/management, neurological diseases, and mental health.

We anticipate exciting opportunities to emerge from the Oxford ecosystem in precision surgery, computational biology for precision health, microbiome and synthetic biology, and AI-enabled biomarkers.

IMAGINE A WORLD WHERE...

we can predict a heart attack years in advance

SPOTLIGHT ON:

Caristo Diagnostics

Cardiovascular disease is the world's biggest killer, accounting for more than 30% of all deaths globally and incurring an economic burden that is expected to exceed $1 trillion by 2030. In the UK alone around 425 people die every day – that is one person every three minutes.

Heart attacks are caused by build-up of fatty deposits, causing coronary arteries to progressively narrow. These fatty deposits, known as plaques, can abruptly rupture, leading to a blockage and heart attack. Current diagnostic tests focus on detecting the degree of narrowing. However, approximately 50% of all heart attacks occur in the absence of any significant narrowing and remain undetected.

Caristo Diagnostics, a spinout from the University of Oxford Department of Cardiovascular Medicine, has developed a proprietary vascular imaging technology platform that predicts risk of major cardiometabolic diseases.

Using artificial intelligence and deep learning image processing, Caristo Diagnostics can identify "ticking-time-bomb" arteries, predicting a potentially fatal heart attack years in advance.

Based on Oxford scientific research and a ground-breaking discovery that rewrote the textbooks and transformed our understanding of the biological mechanisms behind a heart attack, the technology is beautifully simple – only requiring information that has always been present in routine CT scans.

This is routine and existing technology; hospitals don't need new equipment and patients don't need another test. Caristo's technology will revolutionise diagnosis and treatment, enabling clinicians to identify the most at-risk patients and prescribe effective, personalised treatments.

The game-changing technology is now CE marked and available for use across Europe, the UK, and the NHS.

caristo.com

Twitter: @CaristoHeart

DEEP TECH

Investments to date	Companies	Focus Areas
£98m	27	5

Our Deep Tech portfolio includes companies leveraging disruptive innovation, genuine scientific breakthroughs, and meaningful engineering advances. They have the power to profoundly impact global industries and change people's lives for the better.

Our team is focused on investing in and building companies that will tackle the global resources crises, combatting the scarcity in energy, water and food resources, and unlocking new computational capabilities to leverage exponential growth in data.

We search the following University of Oxford departments for these disruptive innovations:
- Chemistry
- Engineering
- Materials
- Maths
- Physics
- Plant Sciences
- Statistics
- Zoology

The team has a presence across five key focus areas:

Agtech:
Technology to reshape agriculture and address food scarcity by improving crop yields and quality, and by driving increased efficiency and sustainability.

Our key investment in this area is MoA Technology, which is focused on discovering the next generation of sustainable herbicides based on new modes of action from both natural and synthetic sources. We expect at least one further spin-out in the agtech space during 2021.

Energy Efficiency:
Innovation to create a greener planet and improve urban environments.

During 2020, Mixergy, the smart hot water tank business, signed a distribution agreement to roll out its tanks to British Gas customers across the UK. Elsewhere, First Light Fusion continues to progress towards achieving fusion and raised a $25 million follow-on round during Q2. Looking forward, we will continue to support companies that can drive further innovation in this area – with a particular focus on the battery technology space.

Industry 4.0:
Technologies that improve productivity, safety and efficiency across industry.

Key highlights for 2020 include Oxford Flow's strategic partnership with Georg Fischer, the spinout of a new hyper spectral imaging company, Living Optics, and Refeyn's £18 million Series A raise led by Northpond Ventures in Q4.

Transport / Space:
Creating cheaper and more sustainable transport.

During 2020, YASA, the electric motors business, signed a commercial contract with Ferrari and continued to build relationships with other key automotive manufacturers such as AMG. Animal Dynamics raised £6 million during Q1. Looking forward we are exploring Oxford's expertise in Space innovation to spinout new companies in this area.

Quantum / Next Generation computing:
Unlocking a new era of computational capabilities.

We have built a truly unique portfolio in quantum computing, leveraging Oxford's world-leading expertise in this area, with exposure across four leading quantum technologies: super-conducting, Oxford Quantum Circuits; silicon, Quantum Motion; ion trap, Oxford Ionics; and photonic, Orca Computing. During 2020, we saw follow-on investment rounds at Quantum Motion and Oxford Quantum Circuits. Looking forward, we will continue to focus on leveraging Oxford's unique expertise in this area.

IMAGINE A WORLD WHERE...

we can travel without the support of fossil fuels

SPOTLIGHT ON:

YASA

Race To Zero is a global initiative, backed by science-based targets, to achieve net zero emissions by 2050. The transport sector represents one of the largest contributors to these greenhouse gas emissions.

YASA is a revolutionary manufacturer of electric motors and controllers for the creation of hybrid and pure electric vehicles. It delivers smaller, lighter and more efficient motors and controllers than the competition, allowing customers to create products that differentiate across performance, range and cost, whilst also contributing to the need to dramatically reduce greenhouse gas emissions.

Demand is increasing from automotive and aerospace industries. In automotive, YASA is working with OEM customers including Ferrari, which selected YASA's electric motor for the company's first hybrid series production supercar. The pipeline of opportunities in the luxury and premium segment continues to build.

Opportunities for YASA's electric motor technology are also emerging within the aerospace industry for the powering of electric flight – where the advantages seen on the road in terms of size, weight and efficiency are even more important and the reduction in reliance on fossil fuels would be even more transformative.

In December 2019, Rolls-Royce unveiled an all-electric YASA powered plane as part of a project to accelerate the electrification of flight and build the world's fastest all-electric aircraft – part-funded by the Aerospace Technology Institute, in partnership with the Department of Business, Energy & Industrial Strategy and Innovate UK. More recently, during 2020, YASA helped power the first ever flight of Europe's largest zero-emission plane, backed by ZeroAvia.

YASA exemplifies what we look for in our portfolio companies – high-growth potential combined with the application of innovative technology that can build a better world.

yasa.com

Twitter: @YASAmotors

SOFTWARE & AI

Invested to date

£29m

Number of companies

21

Our Software & AI portfolio features companies that can dramatically improve the accuracy, efficiency, and data security of computer programmes, systems, and processes, bringing new benefits to businesses and our broader society.

Our team works closely with a number of different departments across the University with a particular focus on Computer Sciences, Engineering, and Mathematics.

Advances in software and computer programming have dramatically transformed businesses for the last four decades; this transformation is now being exponentially accelerated by the introduction and application of AI and machine learning.

Here in Oxford, the focus on AI is pervasive and not just limited to the Computer Sciences. As a result, we are finding innovative applications and new solutions across the spectrum.

Key highlights during 2020 include:

PQShield
Dedicated to ensuring private information can be secured, even in a post-quantum world, and using today's technology. This is what we call post-quantum cryptography. During 2020, the team successfully raised £5.5 million in seed funding, led by new investors Kindred Capital and Crane Venture Partners.

Mind Foundry
On a mission to create a future where humans and AI work together to solve the world's most important problems. This year, the insurance industry offered a new route for AI to affect transformational impact on the real world. Mind Foundry worked with Aioi Nissay Dowa Insurance's (ANDI) UK subsidiary, Insure the Box Limited, on a telematics proof-of-concept using the Mind Foundry platform. As a result, ANDI provided strong validation for the platform by subsequently leading Mind Foundry's recent £6.5 million Series A funding, alongside existing investors. ANDI now plans to integrate Mind Foundry's platform as a core part of their digital transformation strategy across their business.

IMAGINE A WORLD WHERE...

your data is secure forever

SPOTLIGHT ON:

PQShield

Governments and companies are currently investing vast sums of money in the race to advance and harness the power of quantum computing. The arrival of these machines will revolutionise problem-solving in domains like drug discovery, physics, and process optimisation but it also poses unprecedented security risks.

Virtually every organisation, device and end-to-end encrypted messaging service uses public-key encryption to secure information, but the rise and vast potential processing power of quantum computers is rendering current methods of encryption obsolete.

Dr. Ali El Kaafarani, PQShield's CEO and founder, recognised this problem as a research fellow at Oxford University's Mathematical Institute. Combining world-class academic expertise and commercial acumen, PQShield is aiming to define a new generation of quantum-safe algorithms to protect the world's encrypted information from quantum computers using post-quantum cryptography.

We have been proud to partner with Ali and PQShield as they commercialise their full suite of quantum-safe solutions, which includes hardware and firmware for embedded devices, cryptographic SDKs, and new signal-derived protocols for enabling end-to-end encrypted messaging.

PQShield is now a global frontrunner in the National Institute of Standards and Technology's (NIST) Post-Quantum Cryptography Standardization Process, with two of the seven announced finalists being co-developed by the team.

We believe PQShield has the potential to be a global leader in post-quantum cryptography and we are thrilled investors like Kindred and Crane, who led their £5.5 million seed round, are also excited by their potential.

pqshield.com

Twitter: @PqShield

FINANCE REVIEW

At 31 December 2020, the Group held cash and deposits of £412 million, a significant increase from the prior year as a result of the first material sale of a portfolio company.

Jim Wilkinson
Chief Financial Officer

Statement of comprehensive income

Overall, the Group recorded a profit for the year of £158.3 million (2019: £7.1 million) and a NAV (Net Asset Value) of £875.9 million (2019: £717.6 million).

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

	2020 £m	2019 £m
Other income	**2,146**	1,332
Net portfolio gains (unrealised)	**53,252**	11,810
Realised portfolio gains	**134,445**	2,067
Net financial instruments loss	**(621)**	(631)
LAB282 & LAB10x translational funding	**(2,664)**	(1,461)
Administrative expenses (excluding long-term bonus accruals and share-based payment credit/(charge))	**(20,987)**	(9,725)
Long-term bonus accrual release/ (accrual)	**5,739**	(2,054)
Share-based payment charge	**(310)**	(242)
Net finance income	**9,593**	5,987
Profit for the year before taxation	**180,593**	7,083

Other income comprises incubator fees, executive search and selection, rent, legal and administrative support. Other income for the year increased to £2.1 million (2019: £1.3 million).

Net portfolio gains consist primarily of unrealised fair value gains and losses from equity holdings in spinout businesses. A detailed analysis of fair value gains and losses is provided in the Portfolio Review on page 22. The realised portfolio gains related to the sale of Base Genomics to Exact Sciences Corporation for $410 million.

The Group

Administrative expenses rose to £21.0 million from £9.8 million in 2019. Approximately one third of the administration expenses related to costs which were one-off in nature, including property costs relating to the development of wet labs, which will be sub-let to portfolio companies and legal and personnel costs related to the change in Executive management and the impact of COVID-19 on operations. Excluding these one-off costs, the underlying operating cost base of the Group was £14.8 million (2019: £7.4 million).

During the year, a new Long Term Incentive Plan (LTIP) was implemented which replaced all existing schemes and is effective from the start of OSI's operations in June 2015. The new LTIP requires that the initial investment cost plus an annual charge be repaid before any payments are made, resulting in a net release of £5.7 million of previously accrued amounts. In addition, the new LTIP results in the accounting change being spread over a longer period, resulting in a lower change in the current financial year.

The new LTIP has required additional companies to be included in the corporate structure to hold some assets on behalf of the participants to the scheme. This has resulted in OSI Services Limited being established and an intermediary company called OSI Midco Limited. These companies form the OSI Group and have resulted in the company and consolidated accounts being presented in this Annual Report. A full explanation of the LTIP Structure is included in the Remuneration Committee Report on page 56.

Other funds

LAB282 represents a unique public-private partnership between OSI, the University of Oxford, Oxford University Innovation and Evotec AG, and will accelerate the development of new treatments and cures for serious and debilitating diseases. The Group has committed to investing £13 million into the translational funding required by LAB282. Translational funding finances turn academic research into commercial proof-of-concepts which could then be spun out or licensed. The grants made into LAB282 are very risky with an expected high failure rate. If a project results in a commercial proposition which is spun out into a company, the grant is converted into equity at a pre-agreed valuation. As such, it is not considered that a fair value can be attributed to the investment at initial grant stage such that the investments are initially carried at nil value. Consequently, a negative fair value movement of £2.5 million (2019: £6.1 million) was recognised in the Statement of Comprehensive Income in the year. During 2019, 11 projects had positive results and therefore a fair value increase was recognised being the initial grant value of £4.9 million. Dark Blue Therapeutics Limited has been formed with Evotec AG, the University of Oxford and BMS to take the successful oncology programmes from LAB282 and develop them further. £2 million was invested in this company during 2020.

LAB10x represents a partnership formed in 2019 between OSI, the University of Oxford, Sensyne plc and Evotec AG, and will accelerate the commercialisation of next-generation digital therapeutics and data-driven drug discovery. The Group has committed £1.5 million, which is tranched over three years, alongside its other partners, into the translational funding required by LAB10x. If a project results in a commercial proposition which is spun out into a company, the grant is converted into equity at a pre-agreed valuation. During 2020, a charge of £0.1 million has been recognised.

University Challenge Seed Fund ('UCSF') was formed by the University of Oxford in 1999. During 2019, OSI committed £5 million to co-fund projects alongside the University.

The fund aims to assist university researchers to successfully transform research to commercialisation. If a project results in a commercial proposition which is spun out into a company, the grant is converted into equity at the round valuation.

Statement of financial position

The Group ended the period with net assets attributable to shareholders of £875.9 million (2019: £717.6 million). The most significant contributing factor to the increase in net assets during the period was the disposal of Base Genomics to Exact Sciences Corporation, which resulted in a net increase in assets of £115 million after tax. Other net fair value increases of £53.3 million (2019: £11.8 million) were also a significant contributor.

At 31 December 2020, the Group held cash and deposits of £412 million (2019: £389 million) and a portfolio of investments in 98 private technology companies and other investments (2019: 78). The value of the Group's holdings in portfolio companies was £424.9 million at year end (2019: £290.6 million).

During the year, the Group has supported portfolio companies during COVID-19 by utilising convertible loan notes of £32m (2019: £11.6m) to allow additional runway for portfolio companies to reach milestones. The equity rights asset represents the embedded value in the contract entered into by OSI, the University of Oxford and Oxford University Innovation Limited on 18 March 2015. The contract gives OSI a proportion of the University's founding shares in every spinout from the science departments. This right lasts until 18 March 2030. Management have developed a valuation model based upon a number of key assumptions, and as described more fully in note 14 to the Group's financial statements, and have determined the fair value of the contract as at 31 December 2020 to be £14.1 million (2019: £15.8 million).

Cash, cash equivalents and short-term deposits ('cash')

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

	2020 £m	2019 £m
Net cash used in operating activities	**(14.5)**	(8.3)
Net cash used in investing activities	**(24.7)**	(38.3)
Net cash realised from investing activities	**144.5**	-
Issued share capital	-	3.6
Other	**(1.6)**	(0.5)
Movement during period	**103.7**	(43.5)

In addition to the short-term cash balances held, the Group held £134.6 million (2019: £215.6 million) on deposits with notice periods of over three months.

At 31 December 2020, the Group's cash, including amounts held on deposit greater than three months, totalled £412 million (2019: £389 million), with the increase in 2020 predominantly due to the realisation of investments in portfolio companies which more than off-set the investments made in portfolio companies of £103.2 million (2019: £46.7 million) in spinout companies and follow-on investments. In 2019, the investment activity was partly off-set by £3.6 million equity capital raised.

It remains the Group'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 Group's treasury policy.

Taxation

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

Since the Group's activities are substantially trading in nature, the Directors continue to believe that the Group qualifies for the Substantial Shareholdings Exemption ('SSE') on chargeable gains arising on the disposal of qualifying holdings and, as such, the Group has not recognised a provision for deferred taxation in respect of uplifts in value on those equity stakes which meet the qualifying criteria. The Group's unrecognised deferred tax assets and liabilities are set out in note 9 to the financial statements.

Due to the short investment period from when Base Genomics was created to when it was sold, that investment did not qualify for SSE and therefore a provision of £22.3 million has been made in relation to the Corporation tax payable on this disposal.

Impact of COVID-19

During 2020 we faced the COVID-19 pandemic, which affected ourselves and the portfolio companies in a variety of ways. The OSI office was closed from March 2020 onwards with only essential use allowed in line with government advice. The office closure did not significantly affect operations with meetings moving onto video calls and new opportunities and amounts invested increasing over the prior years' levels.

At portfolio company level we saw a range of effects. Generally, the initial effect was to slow down portfolio company development whilst the companies adjusted to remote working or adapted working practices in laboratories. The timescales required to meet milestones, or the milestone targets themselves, have been adjusted where necessary and if required additional finance has been provided by OSI, often in conjunction with the UK Governments Future Fund. In total 12 funding rounds have been implemented using £22.5 million of Future Fund support. The majority of the portfolio companies have adapted without requiring additional support and some have been able to accelerate plans because of the additional commercial opportunities offered by COVID-19 including the two vaccine companies, Vaccitech and Spybiotech, and diagnostic companies such as Ultromics and Perspectum. Apart from the Future Fund, which has been used to support some of the portfolio company developments, OSI has not utilised any other Government support schemes during the pandemic.

Jim Wilkinson
Chief Financial Officer

DocuSigned by:
Jim Wilkinson

PRINCIPAL RISKS

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

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

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

During 2021 we will continue to build on our existing risk management framework. We will be working with external advisers to undertake an assessment of our risk management framework, and the connection between our risk management framework to our strategy and our risk appetite.

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

Principal risks

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

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

PRINCIPAL RISKS CONTINUED

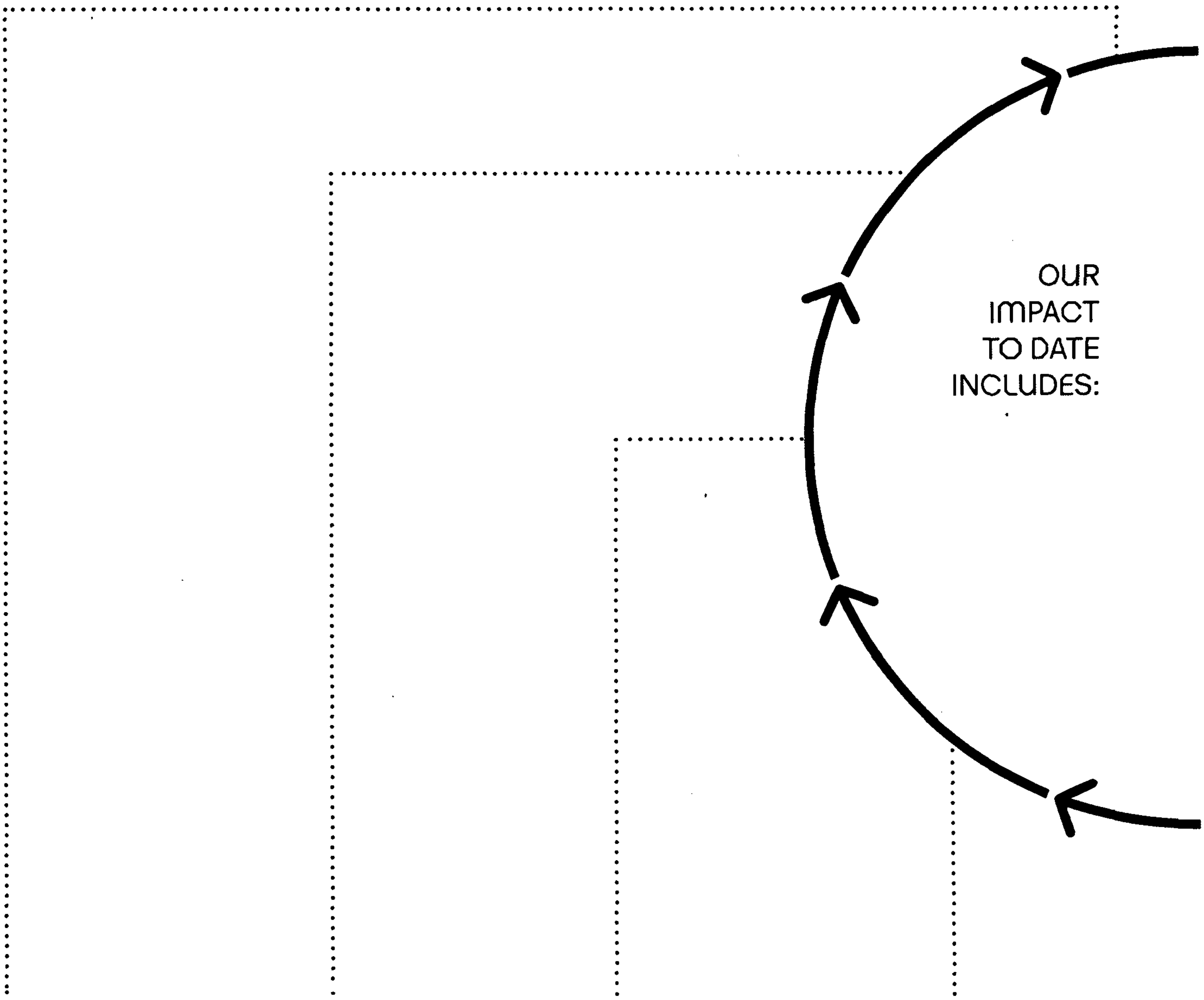
RISK AND DESCRIPTION	IMPACT	MITIGATION
OSI primarily invests in early-stage spinouts where returns can be uncertain The following risks are associated with early-stage companies: • The ability to secure subsequent funding to support ongoing research and development activities. • The impact of competing technologies entering the market with more resources. • The risk that the research and development will fail. • In some cases, the ability to succeed will be dependent upon regulatory approval for certain trials to proceed. • Other universities, research institutions, and companies may create intellectual property that competes, directly or indirectly, with that generated by the portfolio companies. • As equity realisations from spinout companies are expected to be achieved through liquidity events, including trade sales and initial public offerings, the total income receivable by the Group from these sources may vary substantially from year to year.	There is no certainty that individual spinout companies will prove to be successful or generate a return on investment for the Group. Variations in the pace and level of equity realisations may have a material adverse effect on OSI's business, financial condition, results of operations and prospects of the Group.	OSI has built experience in sourcing, developing, and growing early-stage technology companies to significant value. OSI's investment principals are Non-Executive Directors on the main spinouts to help identify and remedy critical issues promptly. OSI has significant cash balances and invests low levels of initial capital to enable identification and mitigation of potential failures at the earliest possible opportunity.
Pandemic risk and COVID-19 The COVID-19 pandemic and similar future outbreaks can affect human life, disrupt normal working operations, the development of spinout companies, university research, and the ability to raise finance.	Detrimental impact on employees through the spread of the virus. Inability of the University to carry out fundamental research leading to a slowdown in spinouts. Impact on portfolio companies who have experienced disruption and delays to revenue progression. Inability of portfolio companies to access capital markets.	An internal COVID-19 Committee has been created to monitor Government instructions and provide advice to OSI management. Employees have been instructed to follow Government guidance, including working from home when appropriate. Employee support has been provided as required. Since the beginning of the outbreak, the management and investment teams have remained in regular contact with portfolio companies, supporting them with research, resources, and capability to mitigate the negative impact as much as possible. Provided bridge funding where appropriate – a key strategic aim of OSI is to take a long-term investment approach, and it is worth highlighting that our robust capital position has provided us a strong and differentiated ability to continue to invest in the ambitions of our companies during this period of uncertainty.

RISK AND DESCRIPTION	IMPACT	MITIGATION
General economic climate OSI is based in the UK so its business will be influenced by the general economic climate, including implications of Brexit.	The market value of the Group's holdings in portfolio companies could be affected by a change in the general economic climate by affecting sentiment in the market, the market's appetite for specific asset classes and the financial or operational performance of the portfolio companies.	The portfolio companies have potentially global products that will be primarily aimed at international markets. The risk is spread through the OSI shareholder base being global with significant help for the portfolio companies in accessing overseas markets.
Changes in legislation and policy There may be unforeseen changes in Government policy or legislation (including taxation), or other changes in the terms upon which public monies are made available to universities and research institutions. Political uncertainty, such as Brexit, could have a number of potential impacts, including to the labour market or regulatory environment.	Such changes could result in universities and research institutions no longer being able or desiring to own or exploit intellectual property. Changes could make it commercially unattractive for research academics to carry out their research within the UK, and potentially make other countries more attractive. Changes in taxation law could affect the amount available to invest and the returns available. Changes in the UK's position in Europe due to Brexit may cause uncertainty. National security and investment legislation could reduce the capital invested by overseas companies.	University partners are incentivised to protect their intellectual property through shared returns on commercial projects between the University, academics and OSI. OSI use professional advisers to advise on any legislative changes. OSI has a global shareholder base and the spinout companies primarily aim to sell their products across the world.
Cyber and IT security Cyber and IT security continue to be key areas of risk for the Group and for our underlying portfolio, given our investments in intellectual property-focused businesses and businesses that operate in critical/sensitive technology areas. There may be cyber threats from competitive companies or nations which seek to damage the portfolio companies or obtain the intellectual property.	Portfolio companies may find themselves at a disadvantage to competitor companies or be remotely closed and unable to operate.	The Group has undertaken a comprehensive review of its IT security and cyber policies and has implemented significant advancements to infrastructure and procedures in both. The Board receives regular updates regarding cyber risk and IT security. All staff have received updated training in these areas, and we continue to engage with the National Cyber Security Centre regarding best practice. Additional resources, monitoring and assessment of cyber and IT security will be undertaken at portfolio company level.
Increasing regulation over Foreign Direct Investment Recent years have seen global shifts in both the policy frameworks for screening inward foreign investment and the way in which these regimes are applied. Foreign direct investment ('FDI') regimes are increasingly common in the investment and M&A sphere. A new standalone FDI regime for the UK has been introduced. The environment is currently relatively uncertain and there is a risk that this reduces the pool of available capital for co-investment into the portfolio, and M&A/exit opportunities.	OSI and portfolio companies may find it more difficult to raise investment monies from certain countries or capital pools.	Legislation is being monitored and the legal department reviews all proposed transactions to ensure compliance with legislation.

MAKING AN IMPACT

We build world-changing businesses; bringing Oxford science to the world faster.

Our portfolio of companies are tackling challenges such as the diagnosis and treatment of devastating rare diseases and cancer, sustainability, nuclear fusion, quantum computing and cyber-security. *Meaningful societal benefits and sustainable returns will come from solving these issues.*

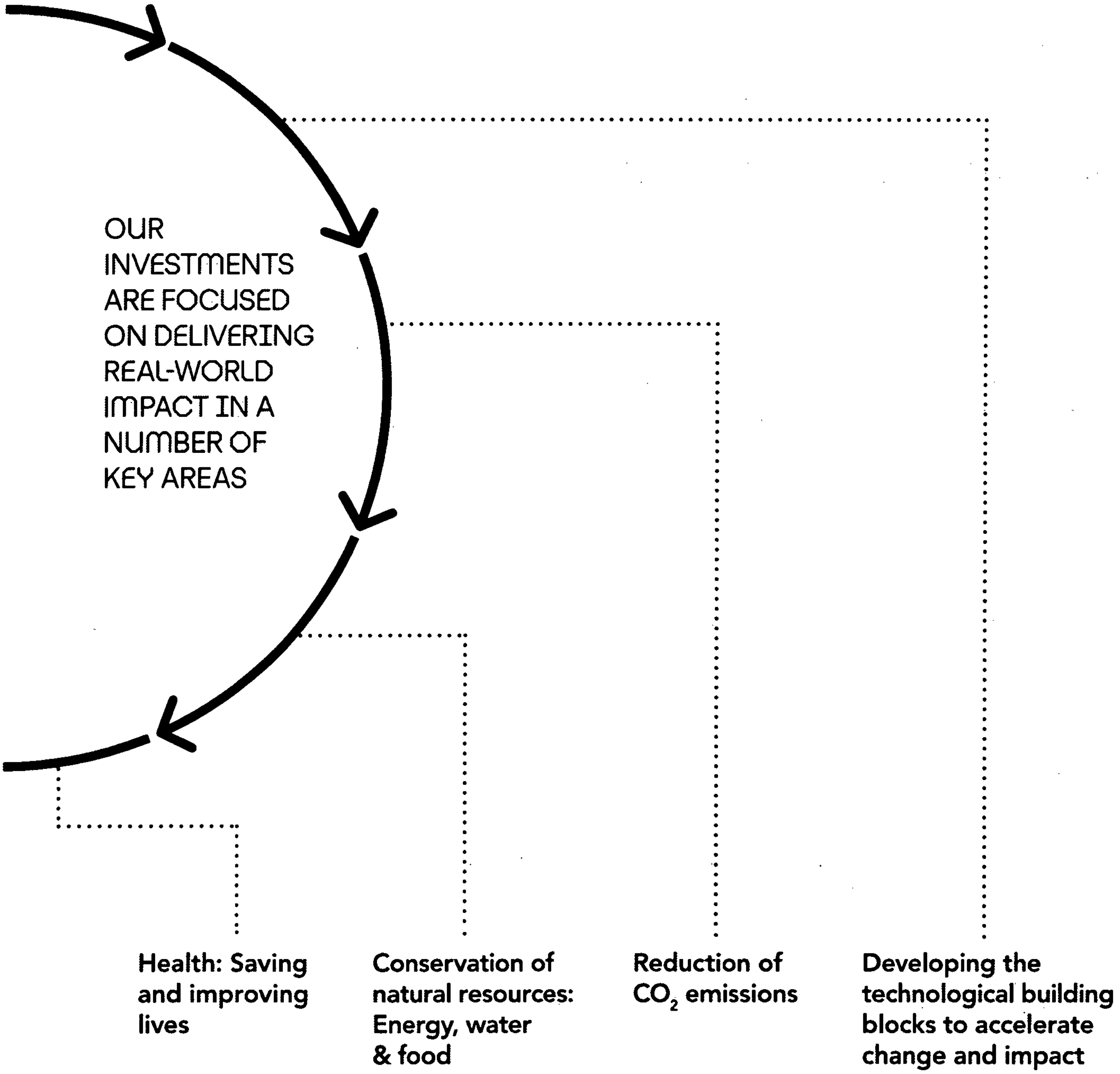


Over £300 million invested since 2015 into Oxford ecosystem

c. 100 new company spinouts

>1,500 jobs created

>55,000 square feet of new laboratory and start-up space


OUR INVESTMENTS ARE FOCUSED ON DELIVERING REAL-WORLD IMPACT IN A NUMBER OF KEY AREAS
Health: Saving and improving lives
Conservation of natural resources: Energy, water & food
Reduction of CO_2 emissions
Developing the technological building blocks to accelerate change and impact

CORPORATE SOCIAL RESPONSIBILITY

"Our goal is to build a sustainable and socially responsible business."

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

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

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

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

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

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

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

The Group seeks to have a positive impact on the community in which it operates. One of the ways in which it achieves this is through supporting local entrepreneurial activities. The Group has given a total of £250k to support the student All-Innovate competition, the Saïd Business School Oxford Seed Fund and the Student Enterprise Programme (STeP).

All our people are responsible for the promotion of, and adherence to, health and safety measures in the workplace. The Chief Financial Officer has overall responsibility for the implementation of the Group's health and safety policies and procedures. The primary purpose of the health and safety policy is to enable all of the Group's people to go about their everyday business at work in the expectation that they can do so safely and without risk to their health. During the years ended 31 December 2020 and 31 December 2019, no reportable accidents occurred under UK Health and Safety regulations.

OSI plc is an equal opportunities employer. Diversity is key to how we work and we believe that great ideas can come from anyone. As such, we believe in equal opportunity for all people when it comes to recruitment, selection and career development. For the year ended 31 December 2020, the Group employed an average of 35 employees and had 7 Non-Executive Directors. There are 35 full-time employees with 12 being female and 23 male during the year. There is one female and six male Non-Executive Directors. A key strategic aim for the Group in 2021 is to deepen its commitment to diversity and inclusion within OSI and at a portfolio level. In this regard, a specific Inclusion and Diversity committee has been formed, reporting to the CEO, to drive this initiative forwards. We look forward to reporting on the outputs of this initiative in 2021.

OSI plc supports the rights of all people as set out in the UN Universal Declaration of Human Rights and, in so far as it is able to, ensures that all transactions the Group enters into uphold these principles.

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

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

While we believe the direct environmental impact of OSI plc is relatively small, the Group is committed to ensuring the environmental impacts of our business operations remain as low as possible. We recognise our responsibility to ensure that the business operates in an environmentally responsible

IMAGINE A WORLD WHERE...

we could exploit the energy that created life to save our planet

SPOTLIGHT ON:

First Light Fusion

Fusion powers the stars, including our sun. It is the universe's ultimate source of energy, generating the light and heat that enabled the creation of life.

If we could replicate fusion here on Earth, we will have a created a cost-effective limitless energy supply: four times cheaper than nuclear and comparable to renewables, free from the carbon emissions of fossil fuels, free from the risks of contemporary nuclear plants. Fusion is a necessary energy source to complement wind and solar.

"If we had a working fusion technology, there would be no energy problem. The question is not whether fusion can solve climate change; the question is whether we can solve fusion." – Dr Nicholas Hawker, CEO, First Light Fusion (FLF).

Scientists have been trying to replicate fusion since the 1940s, using high-energy lasers shot at tiny pellets of frozen hydrogen, heating and compressing the pellet to create a tiny implosion (inertial confinement). The theory is based on creating perfect symmetrical implosions, but instabilities form in the fuel and this has been difficult to achieve in practice.

FLF works with complexity from the start to harness these instabilities. Their approach, based on inertial confinement, is called "projectile fusion". A copper disk is launched at hyper-velocity creating a powerful shockwave that physically crushes the fusion fuel inside the target – in this case a hydrogen bubble. The asymmetric collapse, focused by FLF's advanced targets design, concentrates the energy and for a brief second aims to make the collapsing cavity hotter than the sun and denser than lead – perfect conditions for fusion.

FLF is on track to achieve fusion and in 2020 raised $25 million. The funding will allow the company to expand its team of scientists and engineers by 50%, upgrade equipment and accelerate development of the first-of-its-kind fusion energy plant – FLF plans to be operational in the 2030s, ten years ahead of UK Government targets.

firstlightfusion.com

Twitter: @FLFusion

and sustainable manner. Employees are encouraged to reduce their impact on the environment by hosting meetings via video conference where possible, thereby only engaging in business travel when necessary, using public transport, and by minimising the usage of paper by using the recycling facilities provided in our offices.

The Strategic Report as set out on pages 2 to 45 has been approved by the Board.

DocuSigned by:

Christopher Chambers
Chairman
17/05/2021

SECTION 172 STATEMENT

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

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- Relations with key stakeholders such as employees, shareholders and suppliers are considered in more detail on pages 14 to 19 which describes our business and investment model and our help in building the Oxford innovation ecosystem.
- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. As required, the Head of Legal and Company Secretary will provide support to 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 regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.
- We aim to work responsibly with our stakeholders, including suppliers. The Board annually reviews its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies.

The Board confirms that during the year the Board and Its individual members 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. During the year the Board considered information from all relevant areas of the Company and received presentations from management, reviewed papers and reports and took part in discussions, which considered where relevant the impact of the Company's activities on its key stakeholders. These activities together with direct engagement by the Board and individual directors with the company stakeholders, helped inform the Board in its decision-making processes.

The Board acknowledges that balancing the needs and expectations of stakeholders is important, but it often has to make difficult decisions based on competing priorities where the outcome of any decision it makes will not necessarily result in a positive outcome for all of the Company's stakeholders. Decisions are not taken lightly and the decision-making process has been structured to enable Directors to evaluate the merits of proposed business activities and the likely consequences of its decisions over the short, medium and long-term, with the aim of safeguarding the Company so that it can continue in existence, fulfilling its purpose in creating value for future generations of stakeholders. By considering the companies purpose, vision and values, together with its strategic priorities and having a process in place for decision-making the Board does however aim to make sure decisions are consistent and predictable

Specific examples of how the Board considered the interests of stakeholders in its principal decision making in the year are set out below:

Significant events/decisions	Key s172 matter(s) affected	Actions and impact
Appointment of new CEO	Shareholders, employees, university partners	• The Nomination and Governance Committee ensured that a rigorous process was run in the search for and appointment of the new CEO, working in conjunction with a recruitment firm to ensure that stakeholder interests were considered and balanced in making the appointment. • The Chair engaged with key stakeholders in advance of the appointment.
Response to Covid-19 Pandemic	Shareholders, employees, portfolio companies, university partners, patients, ecosystem participants	The Company took a highly pro-active approach in its response to the Covid-19 pandemic to identify the impact on each key stakeholder group and formulate appropriate response strategies, including: • Establishing an employee led Covid-19 committee to focus on employee welfare, health & safety & operational resilience. • Adaptation of shareholder and stakeholder engagement platforms, to include virtual events. • Working closely with portfolio companies to ensure funding strategies in place (including bridge funding where necessary) and training provided on key strategic and operational challenges presented by the pandemic. • Working closely with portfolio companies and the broader ecosystem to ensure that technologies leveraged for the ultimate benefit of patients and society, including Vaccitech & Oxford University as regards the Covid-19 vaccine. • Working with stakeholders as regards the procurement of PPE for the ecosystem.
Sale of Base Genomics to Exact Sciences	Shareholders, patients, ecosystem participants	The Company carefully balanced stakeholder interests in the decision as to whether to sell the company's stake in Base Genomics, including: • The impact of the sale on shareholder value, and particularly the risk/reward of continuing to fund and develop the business versus selling the company's holding. • the impact of the sale on the potential for development and scaling of the technology, and hence the ultimate impact on patients -in particular Exact Science's ability to accelerate Base Genomics was such that this would help improve patient outcomes quicker. • the impact of the sale on the Oxford ecosystem – in particular Exact's commitment to continue to build the team in Oxford to create a world leading research centre in early-stage cancer detection was important.
Implementation of new LTIP	Shareholders, employees	• The Board sought formal shareholder approval for implementation of new LTIP at the last AGM to ensure transparency and engagement with all shareholders. As the AGM was limited due to Covid-19 restrictions, the company engaged with shareholders who had questions on the scheme by telephone/video conference in advance of the AGM. • The executive consulted with employees as regards the transition from the old incentive scheme to the new LTIP.
Office + Lab Space Funding	Portfolio companies, University partners, ecosystem participants	• The Company actively engaged with key stakeholders in its decision making process to take on and develop wet-lab space and an incubator space to sub-let allowing growing companies to develop in purpose built environments.

BOARD OF DIRECTORS

Christopher Chambers
Non-Executive Chairman

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

Jim Wilkinson
Chief Financial Officer

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

Alan John Aubrey
Non-Executive Director

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

Alexis Dormandy
Chief Executive Officer

Alexis joined OSI as Chief Executive Officer in October 2020. He brings over 25 years of science, technology, and investment experience. Alexis was previously a Partner and Adviser at the leading European venture capital firm Atomico, advising portfolio companies across Europe and the US on their growth strategies and scaling. He originally trained as a doctor at the University of Oxford before embarking on a business career, which included notable senior management positions at Virgin (where he helped launch Virgin Active), Orange, and Candover, as well as Chair roles at RED, the AIDS charity founded by Bono, Wattbike, and Spoke.

Peter Davies
Non-Executive Director

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

Giles Kerr
Non-Executive Director

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

Prof. Sir John Bell GBE FRS
Non-Executive Director

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

Bernard Taylor CBE FRSC
Non-Executive Director

Bernard has represented the University on the Board of OSI since its foundation. He 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 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 and Medical Sciences Division Board. He is a past Chairman of the Ashmolean Museum and remains Chairman of the Royal Commission for the Great Exhibition of 1851, Chairman of Garsington Opera, and Chairman of the Advisory Board of the Royal Society. He is Deputy Steward of Oxford University, Deputy Lieutenant of Oxfordshire and an Honorary Fellow of St. John's College. He holds an MA from the University of Oxford and is a Fellow of the Royal Society of Chemistry.

Aneeqa Khan
Non-Executive Director

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

Andre Crawford-Brunt
Non-Executive Director

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

2020 Board Attendance

Christopher Chambers	5
Alexis Dormandy[1]	1
Jim Wilkinson	5
Peter Davies	5
Bernard Taylor	5
Prof. Sir John Bell	5
Giles Kerr5	
Andre Crawford-Brunt[1]	4
Alan Aubrey	5
Aneeqa Khan	5
Patrick Pichette[1]	1

1. Alexis Dormandy was appointed to the Board in October 2020 and Andre Crawford-Brunt in February 2020. Patrick Pichette resigned from the Board in January 2020.

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

The Directors recognise that the long-term nature of the business of the Group in evolving intellectual property into world-changing businesses presents challenges from both an operational and strategic standpoint. The Group is evolving its processes and systems to support its portfolio companies as they reach each stage of development. The success of the Group's portfolio, albeit with many companies still at a very early stage of development, has been borne out over the course of the year through the validating investments of third parties.

The Directors are responsible for the following: promotion of the long-term success of the Group, taking into account the interests of shareholders and other key stakeholders including employees, suppliers, customers, the University of Oxford and other partners, the community and the environment; for ensuring that obligations to shareholders and other stakeholders are understood and met; and in maintaining a satisfactory dialogue with shareholders. All Directors are equally accountable to the Group's shareholders for the proper stewardship of its affairs and the long-term success of the Group. The responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors. The Executive Directors are directly responsible for running the business operations, and developing and implementing strategy, and the Non-Executive Directors are responsible for constructively challenging and contributing to proposals on strategy, scrutinising the performance of management, determining levels of remuneration and for succession planning for the Executive Directors. The Non-Executive Directors must also satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and comprehensive. Further details in relation to the Group's approach to the management of its business risks are set out on pages 36-39.

Matters reserved for the Board

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

Board size and composition

Diversity

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

The Board's policy is to make appointments to the Board based upon merit against objective criteria. Any appointments to the Board must be recommended by the Nomination and Governance Committee. In addition, the Board agrees that diversity (including gender, ethnic, and cultural diversity) remains a key aspect in creating an optimal Board in terms of balance and composition. The Board does not consider it appropriate to set targets at this stage with respect to ethnic diversity, but the terms of reference of the Nomination and Governance Committee refer specifically to the need to commitment to diversity in appointments.

As at 31 December 2020, there were ten Directors on the Board: the Chairman, two Executive Directors, and seven Non-Executive Directors. The biographies of all current Directors are provided on pages 46 and 47. New Directors may be appointed by the Board on the recommendation of the Nomination & Governance Committee.

Non-Executive Directors

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

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

The roles of Chairman and Chief Executive

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

The role of the Chief Executive Officer is to lead the delivery of the strategy and the executive management of the Group and its operating business. The Chief Executive Officer is responsible, amongst other things, for the development and implementation of strategy and processes which enable the Group to meet the requirements of shareholders, for delivering the operating plans and budgets for the Group'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 Group's strategy.

Board meetings

Provision of information and decisions

The Board meets regularly during the year as well as on an ad hoc basis, as required in response to the needs of the Group's business. The Board had 5 scheduled Board meetings in 2020 with 6 Board meetings scheduled for 2021 to ensure that the meeting schedule is sufficient to meet the needs of the business. Supplementary meetings of the Board and/or the Committees are held as and when necessary in response to business needs. The requirement for additional scheduled meetings shall be kept under review by the Board.

The majority of Board meetings were held at the Group's offices in Oxford prior to COVID-19 and on video conference from March 2020. Meetings between the Chairman and the Non-Executive Directors, both with and without the presence of the Executive Directors, are also held as the need arises.

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

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

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

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

The Board is supported by a paper analysing the relevant aspects of the proposal including costs, benefits, potential risks involved, and proposed executive management action and recommendation. The Company Secretary also provides advice as relevant regarding legal and governance matters.

Director	No. of meetings attended
Christopher Chambers (Chairman)	5
Alexis Dormandy (Chief Executive Officer)[1]	1
Jim Wilkinson (Chief Financial Officer)	5
Peter Davies	5
Bernard Taylor	5
Prof. Sir John Bell	5
Giles Kerr	5
Andre Crawford-Brunt[1]	4
Alan Aubrey[1]	5
Aneeqa Khan	5
Patrick Pichette (Former Chairman)[1]	1

1. Alexis Dormandy was appointed to the Board in October 2020 and Andre Crawford-Brunt in February 2020. Patrick Pichette resigned from the Board in January 2020.

Directors' conflicts of interest

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

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

Induction, awareness and development

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

Remuneration and Audit Committees

A separate report on the role, composition, responsibilities, and operations of the Audit Committee is set out on page 54 and the Remuneration Committee on page 56.

Nominations and Governance Committee

This was established during the year and consisted of Patrick Pichette as Chair, Prof. Sir John Bell, Aneeqa Khan and Peter Davies. Following Patrick Pichette's resignation, Chris Chambers was appointed to the Committee as Chair by the Board and Bernard Taylor was further appointed by the Board to the Committee in 2021. The Nominations and Governance Committee leads the process for all Executive and Non-Executive appointments and the re-election (where relevant) and succession of Directors and the Chairman.

CORPORATE GOVERNANCE REPORT CONTINUED

The Committee's key objective is to ensure that the Board comprises individuals with the necessary skills, knowledge, and experience to ensure that the Board is effective in discharging its duties and promoting diversity.

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

Investment Committee
The Investment Committee considers all investment proposals between £0.25 million and £2.5 million. The Committee consists of the CEO, CFO, and two Non-Executive Board members, Alan Aubrey and Bernard Taylor, though any other Directors are free to join the meetings. The Group has been working on a revised Investment Committee process and delegation levels, which will be set out in next year's Annual Report.

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

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

Internal control
The Board fully recognises the importance of the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Group's internal controls were reviewed by the Board and were considered to be effective throughout the year ended 31 December 2020.

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

- **Control environment and procedures**
  The Group has a clear organisational structure with defined responsibilities and accountabilities. It adopts the highest values surrounding quality, integrity and ethics, and these values are documented and communicated clearly throughout the whole organisation. Detailed written policies and procedures have been established covering key operating and compliance risk areas. These are reviewed and updated at least annually by the Board. The Board considers that the controls have been effective for the year ended 31 December 2020.

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

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

  The Board maintains an up-to-date Register of Risks setting out mitigations in place in each case. The key risks and uncertainties faced by the Group, as well as the relevant mitigations, are set out on pages 36 to 39. Were more than one of the risks to occur together, the overall impact on the Group may be compounded.

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

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

The Group uses the Annual General Meeting ('AGM') as an opportunity to communicate with its shareholders. Notice of the 2021 AGM will be circulated in advance of the AGM, which is planned for July 2021.

The Board proposes separate resolutions for each issue and proxy forms allow shareholders who are unable to attend the AGM to vote for or against or to withhold their vote on each resolution. Depending on the circumstances surrounding the COVID-19 pandemic, the Board may take a view nearer to the time of the AGM that only the shareholders legally required for the meeting to be quorate should attend. The results of all proxy voting will be available from the Company Secretary on application.

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

Political expenditure
Although it is the Group's policy not to incur political expenditure or otherwise make cash contributions to political parties, and it has no intention of changing that policy, the CA 2006 is very broadly drafted in this area and the Board has raised a concern that it may include activities such as funding conferences or supporting certain bodies involved in policy review and law reform. Accordingly, at the AGM held on 20 October 2020 as per previous Annual General Meetings, the shareholders passed a resolution on a precautionary basis to authorise the Group to incur political expenditure (as defined in Section 365 of the CA 2006) not exceeding £50,000 in total at any time from the date of the AGM up to the conclusion of the 2021 AGM. No political expenditure has been incurred in 2020. The Board intends to seek renewed authority for the Group to incur political expenditure of not more than £50,000 in total at the Group's 2021 AGM, which they might otherwise be prohibited from making or incurring under the terms of the CA 2006.

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

AUDIT COMMITTEE REPORT

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

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

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

The Audit Committee has met twice during 2020 with all members attending.

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

Activities during the year
The main activities of the Committee during 2020 can be seen by referring to the summary agenda items below:
- Receipt of the auditor's "Planning Report" and "Year End Report"
- Assessment of the Annual Financial Statements and Business Report and recommendation to the Board for approval
- Independence of the external auditors
- Recommendation to the Board for submission by external auditors
- Approval of audit and non-audit fees
- Review of tax position
- Review of treasury policy
- Assessment of independence of the members of the Audit Committee
- Review and assessment of the Risk Register
- Changes to International Financial Reporting Standards
- Review of valuation of investments
- The requirement for an internal audit function
- Noting the Group's financial forecasts

Key areas covered by the Audit Committee
Valuation of assets and liabilities
This remains the key risk in the Group's financial statements. The Audit Committee discusses with management and the auditor the approach that has been taken in assessing all key estimates. The most material area of judgement in the financial statements relates to the valuation of the equity investments, which at year end had a carrying value of £424.9 million. The Committee satisfied itself that the portfolio valuations were materially correct.

At year end the fair value of the Group's equity rights asset was £15.7 million. The assumptions behind the equity rights valuation model were reviewed by the Audit Committee and found to be reasonable.

Review of Annual Report and Accounts

The Committee carried out a thorough review of the Group's 2020 Annual Report and Accounts resulting in the recommendation for approval by the Board. In carrying out its review, the Committee gave particular consideration to whether the Annual Report, taken as a whole, was fair, balanced and understandable, concluding that it was. It did this primarily through consideration of the reporting of the Group's business model and strategy, the competitive landscape in which it operates, the significant risks it faces, the progress made against its strategic objectives and the progress made by, and changes in fair value of, its portfolio companies during the year.

Internal control

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

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

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

  The Committee considers that the controls have been effective for the period ended 31 December 2020.
- **Identification and evaluation of principal risks and uncertainties**
  The operations of the Group and the implementation of its objectives and strategy are subject to a number of key risks and uncertainties. The Board identifies, evaluates, and annually reviews these risks. Appropriate controls and procedures are in place to monitor and, where possible, mitigate these risks. The key risks and uncertainties faced by the Group are set out on pages 36 to 39.
- **Information and financial reporting systems**
  The Group has systems and controls in place to ensure adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The Board approves the annual operating budgets and receives details of actual performance measured against the budget each month.
- **Internal audit**
  Due to the size of the Group, where close control over operations is exercised by a small number of executives, the Group does not maintain a separate internal audit function. The Audit Committee reviews the need to have an internal audit function each year.

Going concern

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

Whistleblowing policy

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

External audit

The effectiveness of the external audit process is dependent on appropriate risk identification. In December, the Committee discussed the auditor's audit plan for 2020. This included a summary of the proposed audit scope and a summary of what the auditor considered to be the most significant financial reporting risks facing the Group together with the auditor's proposed audit approach to these significant risk areas. The main areas of audit focus for the year were the valuation of investments in portfolio companies and the valuation of equity rights.

Appointment and independence

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

Non-audit work

The Audit Committee approves all fees paid to the auditor for non-audit work. An analysis of audit and non-audit fees is provided in note 6 to the financial statements on page 71.

Auditor independence

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

Giles Kerr
DocuSigned by:
Giles Kerr
Chairman of the Audit Committee
17/05/2021

REMUNERATION COMMITTEE REPORT

The Committee has responsibility for setting the remuneration policy for all Executive and Non-Executive Directors of the Group, including pension rights and any compensation payments.

The Committee has the following responsibilities:

- Recommend and monitor the remuneration levels and structure for Executive, Non-Executive, and Senior Management of the Group.
- Take into account all factors which it deems necessary to ensure the appropriateness of remuneration, including the recommendations of the UK Corporate Governance Code and associated guidance.
- Ensure the remuneration policy meets the objective of attracting, retaining, and motivating executive management of the quality required to run the Group successfully having regard to the views of shareholders and other stakeholders.
- Ensure the remuneration policy aligns with the Group's long-term strategic goals and that a significant proportion of the remuneration is linked to corporate and individual performance.
- Design of performance related pay schemes.
- Targets for all performance related pay schemes and approval of the total annual payments made under such schemes.
- Determine the policy and scope of pension arrangements for each Executive Director.
- Review of contractual terms on termination and any payments made to the departing individual in the Group and ensure that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- The Chairman of the Committee shall report to the Board on proceedings.
- The Chairman of the Board will ensure that the Group maintains contact as required with its principal shareholders about remuneration.
- The Committee can seek any information it requires including the appointment of remuneration consultants as it deems necessary.

Committee membership
The Remuneration Committee comprises:
- Bernard Taylor, Chairman
- Prof. Sir John Bell
- Christopher Chambers

The Remuneration Committee has met 4 times during 2020 with all members attending.

2020 Long Term Incentive Plan
During 2020 a Long Term Incentive Plan (LTIP) was approved by shareholders and implemented. The LTIP has two separate share plans:

(i) a vintage plan which breaks investments down into two-year investment windows and gives shareholders in the plan 10% of the net gain on investments made during those windows after application of a 3% p.a. hurdle. Vesting for Investment Vintages 2015/16, 2017/18 and 2019/20 will vest in 96 equal monthly instalments, commencing one month after the relevant shareholder's start date and for future vintages will vest in monthly instalments over the three-year period following the relevant two-year Investment Vintage; and
(ii) a value plan which allows shareholders in the plan to benefit from the rise in OSI's NAV per share during the period of their employment. Vesting is in monthly instalments over the three-year period starting on the second anniversary of the relevant shareholder's start date. If OSI's NAV per share has fallen during the relevant period, or if the shareholder is a Bad Leaver, the relevant Value Shares will be forfeited and the participant will not receive anything in return. The plan contains adjustments to deal with the issue of new equity/capital reorganisations etc.

Awards may be subject to malus and clawback provision at any time until the second anniversary after buy-out. Malus or clawback may apply if the Remuneration Committee considers that there are exceptional circumstances, including gross misconduct, conduct that risks or damages the reputation of OSI, conduct that causes financial loss to OSI, or a failure of risk management in each case where the plan shareholder is considered to be culpable.

The value plan based on OSI's NAV is capped at 4% of OSI's issued share capital from time to time. The vintage plan currently reflects 10% of net profits after hurdle but the Remuneration Committee has the discretion to revise this to 12.5% in future vintage plans if deemed necessary.

Directors' emoluments

The Group has incentivised employees, the Chief Executive Officer ('CEO') and the Chief Financial Officer ('CFO') with a salary, bonus, and LTIP.

A discretionary bonus was paid to employees in 2020 totalling £2.8m (2019: £62k).

The Group made contributions to pension arrangements of £107k (2019: £71k).

The total emoluments paid to Directors in 2020 was £2.7 million (2019: £1.8 million) and the highest-paid Director received emoluments of £1.3 million (2019: £1.1 million).

An expense for payment to a former director of £0.5 million was recognised during the year in relation to a settlement following cessation of employment. The expense was accrued at the year end and has since been settled in cash.

DocuSigned by:
Bernard Taylor

Bernard Taylor
Chairman of the Remuneration Committee
17/05/2021

DIRECTORS' REPORT

Report of the Directors
Information that fulfils the requirements of the Corporate Governance Statement can be found in the Corporate Governance Report on pages 48 to 53 and is incorporated into this Directors' Report by reference.

Results and dividends
During the period, the Group made an overall profit after taxation for the year ended 31 December 2020 of £158.2 million (2019: profit of £7.1 million). The Directors do not recommend the payment of a dividend (2019: £nil).

Directors
The names of Directors who currently hold office or did so during 2020 are as follows:

Executive Directors
Alexis Dormandy (CEO) (Appointed 12 October 2020)
Jim Wilkinson (CFO)
Charles Conn (resigned 4 February 2020)

Non-Executive Directors
Christopher Chambers (Chairman)
Peter Davies
Aneeqa Khan
Bernard Taylor
Prof. Sir John Bell
Giles Kerr
Alan Aubrey
Andre Crawford-Brunt (appointed 14 February 2020)
Patrick Pichette (resigned 30 January 2020)

Directors' interests in shares
The Directors who held office during 2020 had the following beneficial interests in the Ordinary Shares of the Group:

	31 December 2020 Number of shares	31 December 2019 Number of shares
Christopher Chambers	**1,835,000**	1,835,000
Bernard Taylor	**833,333**	833,333

There have been no other changes in the interest of the current Directors set out above between 31 December 2020 and 12 May 2021.

Substantial shareholders
As at 12 May 2021, the Group had the following shareholders with interests of 3% or more in its Ordinary Share capital:

Shareholders	%
Braavos Capital	17.4
Lansdowne Partners	15.2
University of Oxford Endowment Fund	5.3
The University of Oxford	5.0
The Wellcome Trust	4.0
Temasek	3.4

Principal risks and uncertainties and financial instruments
The Group, through its operations, is exposed to a number of risks. The Group's risk management objectives and policies are described on pages 36 to 39 and in the Corporate Governance Report on page 52. Further information on the Group's financial risk management objectives and policies, including those in relation to credit risk, liquidity risk and market risk, is provided in note 2 to the consolidated financial statements, along with further information on the Group's use of financial instruments.

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

At the last AGM of the Group, held on 20 October 2020 ('the 2020 AGM'), authority was given to the Directors pursuant to the relevant provisions of the Companies Act 2006 to allot shares and grant rights over securities in the Group up to a maximum amount equivalent to approximately one-third of the issued Ordinary Share capital on 24 September 2020 at any time up to the conclusion of the next AGM of the Group. In addition, at the 2020 AGM, the Directors were also given authority effective for the same period as the aforementioned authority to allot shares and grant rights over securities in the Group up to a maximum of approximately a further one-third of the total Ordinary Share capital in issue on 24 September 2020 in connection with an offer by way of a fully pre-emptive rights issue.

The Directors propose to renew both of these authorities at the Group's next AGM proposed to be held in July 2021. The authorities being sought are in accordance with guidance issued by the Investment Association.

A further special resolution passed at the 2020 AGM granted authority to the Directors to allot equity securities in the Group for cash, without regard to the pre-emption provisions of the Companies Act 2006, both: (i) in connection with a rights issue; and (ii) up to a maximum of approximately 5% of the aggregate nominal value of the shares in issue on 24 September 2020, each authority exercisable at any time up to the conclusion of the next AGM of the Group. The Directors will seek to renew these authorities for a similar period at the next AGM to be held in July 2021.

Articles of Association

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

Directors' indemnity and liability insurance

During the year, the Group 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 Group against any liabilities incurred in the execution or discharge of his or her powers or duties. A copy of the indemnity is available for inspection as required by the Companies Act 2006.

Political donations

The Group did not make any political donations during 2020.

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Appointment of auditor

A resolution to reappoint BDO LLP will be proposed at the AGM to be held in July 2021, though it is noted that the Board will thereafter engage in a tender process to appoint a new auditor in due course.

On behalf of the Board,

DocuSigned by:

Christopher Chambers
Chairman
17/05/2021

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

Opinion on the financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Oxford Sciences Innovation plc ("the Company") for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
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 Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve 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 directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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.

Other Companies Act 2006 reporting
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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

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

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

Extent to which the audit was capable of detecting 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:

Based on our understanding of the Group and Company, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management incentives and opportunities for fraudulent manipulation of the financial statements including management override, and considered that the principal risks were related to the posting of inappropriate journal entries to improve key performance indicators such as fair value gains on investments and the net asset value of the Group.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

Procedures performed by the audit team included:
- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- Evaluation of controls designed to prevent and detect irregularities; and
- Assessing journals entries as part of our planned audit approach.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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

BDO LLP

Kim Hayward
(Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom
17/05/2021

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

Consolidated and Company Statement of comprehensive income

For the year ended 31 December 2020

		2020			2019		
	Note	OSI £'000	LAB282/ LAB10x/ UCSF* £'000	Total £'000	OSI £'000	LAB282/ LAB10x* £'000	Total £'000
Portfolio returns and revenue							
Revenue from services and other income	4	**2,146**	-	**2,146**	1,332	-	1,332
Change in fair value of equity investments	12	**53,252**	-	**53,252**	11,810	-	11,810
Realised gain on equity investments		**134,445**	-	**134,445**	2,067	-	2,067
Change in fair value of financial instruments		**(621)**	**(2,398)**	**(3,019)**	(631)	(1,153)	(1,784)
		189,222	**(2,398)**	**186,824**	14,578	(1,153)	13,425
Administrative expenses							
Staff costs	8	**(8,400)**	-	**(8,400)**	(4,161)	-	(4,161)
Long-term bonus credit/(charge)		**6,984**	-	**6,984**	(2,054)	-	(2,054)
LTIP charge		**(1,245)**	-	**(1,245)**	-	-	-
Depreciation	10	**(539)**	-	**(539)**	(332)	-	(332)
Share-based payment charge	8	**(310)**	-	**(310)**	(242)	-	(242)
Other administrative expenses		**(12,048)**	**(266)**	**(12,314)**	(5,232)	(308)	(5,540)
		(15,558)	**(266)**	**(15,824)**	(12,021)	(308)	(12,329)
Operating profit/(loss)	7	**173,664**	**(2,664)**	**171,000**	2,557	(1,461)	1,096
Finance costs		**(419)**	-	**(419)**	(336)	-	(336)
Finance income from convertible loans		**7,624**	-	**7,624**	2,222	-	2,222
Other finance income and interest receivable		**2,388**	-	**2,388**	4,101	-	4,101
Profit/(loss) before taxation		**183,257**	**(2,664)**	**180,593**	8,544	(1,461)	7,083
Taxation	9	**(22,360)**	-	**(22,360)**	-	-	-
Profit/(loss) and total comprehensive income/(loss) for the year attributable to the shareholders		**160,897**	**(2,664)**	**158,233**	8,544	(1,461)	7,083

* LAB282 and LAB10x relates to translational funding (and related costs) (see notes 15 and 16).

Consolidated and Company Statement of financial position
As at 31 December 2020

	Note	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	**7,538**	4,291	**7,538**	4,291
Right-of-use assets	11	**14,124**	15,764	**14,124**	15,764
Equity investments	12	**424,882**	290,640	**339,481**	290,640
Investments in subsidiary undertakings	13	**–**	–	**84,156**	–
Equity Rights(iii)	14	**15,657**	16,638	**15,657**	16,638
Loans and advances	15	**372**	872	**372**	872
LAB282 investment fund	16	**3,156**	5,569	**3,156**	5,569
LAB10x investment fund	17	**410**	515	**410**	515
UCSF investment fund	18	**3,933**	5,000	**3,933**	5,000
Total non-current assets		**470,072**	339,289	**468,827**	339,289
Current assets					
Trade and other receivables	19	**9,677**	6,146	**9,677**	6,146
Debt instruments	20	**31,059**	10,481	**31,059**	10,481
Deposits		**134,643**	215,619	**134,643**	215,619
Cash and cash equivalents		**277,397**	173,692	**277,397**	173,692
Total current assets		**452,776**	405,938	**452,776**	405,938
Total assets		**922,848**	745,227	**921,603**	745,227
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23	**6,083**	6,083	**6,083**	6,083
Share premium account(i)		**654,085**	654,085	**654,085**	654,085
Employees benefit trust	24	**(6,121)**	(6,121)	**(6,121)**	(6,121)
Retained earnings(ii)		**221,811**	63,578	**221,811**	63,578
Total equity attributable to equity holders		**875,858**	717,625	**875,858**	717,625
Current liabilities					
Trade and other payables	21	**7,846**	3,944	**7,846**	3,944
Corporation tax payable		**22,360**	–	**22,360**	–
Lease liability	11	**1,138**	1,138	**1,138**	1,138
		31,344	5,082	**31,344**	5,082
Non-current liabilities					
Provisions for liabilities and charges	22	**1,253**	7,008	**8**	7,008
Lease liability	11	**14,393**	15,512	**14,393**	15,512
		15,646	22,520	**14,401**	22,520
Total liabilities		**46,990**	27,602	**45,745**	27,602
Total equity and liabilities		**922,848**	745,227	**921,603**	745,227

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

Registered number: 9093331

The financial statements on pages 62 to 86 were approved by the Board of Directors and authorised for issue on 17 May 2021 and were signed on its behalf by:

DocuSigned by:
Jim Wilkinson
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Jim Wilkinson
Interim Chief Executive Officer

Consolidated and Company Statement of cash flows
For the year ended 31 December 2020

		Group		Company	
	Note	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Operating activities					
Profit for the financial year before tax		**180,594**	7,083	**180,594**	7,083
Change in fair value of equity investments		**(53,252)**	(11,810)	**(49,838)**	(11,810)
Change in fair value of subsidiary investments		**-**	-	**(2,169)**	-
Change in fair value of financial instruments		**(446)**	631	**(446)**	631
Gain on disposal of equity investments		**(134,445)**	(2,067)	**(134,445)**	(2,067)
Depreciation	10	**539**	332	**539**	332
LAB282 fair value movement		**2,521**	1,421	**2,521**	1,421
LAB10x fair value movement		**105**	41	**105**	41
UCSF fair value movement		**1,067**	-	**1,067**	-
Finance income		**(2,388)**	(4,101)	**(2,388)**	(4,101)
Finance income from convertible loans		**(7,624)**	(2,222)	**(7,624)**	(2,222)
Finance expense		**418**	336	**418**	336
Share-based payment charge		**309**	242	**309**	242
Amortisation of right-of-use asset		**1,632**	681	**1,632**	681
Long-term bonus plan charge		**(6,983)**	2,054	**(6,983)**	2,054
LTIP charge		**1,245**	-	**-**	-
Changes in working capital					
(Increase)/decrease in debtors		**(145)**	(1,872)	**(145)**	(1,872)
Increase/(decrease) in creditors		**2,305**	883	**2,305**	883
Net cash inflow/(outflow) from operating activities		**(14,548)**	(8,368)	**(14,548)**	(8,368)
Investing activities					
Movement in deposits		**80,976**	21,830	**80,976**	21,830
Purchase of UCSF investment		**-**	(5,000)	**-**	(5,000)
Repayment of debt instruments		**1,300**	120	**1,300**	120
Investment in LAB10x		**-**	(556)	**-**	(556)
Investment in LAB282		**(3,000)**	-	**(3,000)**	-
Investment in subsidiary undertakings				**(3,749)**	
Proceeds from sale of equity investments		**144,515**	3,460	**144,515**	3,460
Loans advanced		**-**	(15)	**-**	(15)
Payments to acquire tangible fixed assets	10	**(3,786)**	(3,716)	**(3,786)**	(3,716)
Purchase of equity investments		**(71,219)**	(46,658)	**(67,470)**	(46,658)
Purchase of debt investments		**(32,002)**	(11,585)	**(32,002)**	(11,585)
Finance income		**3,021**	3,825	**3,021**	3,825
Net cash inflow/(outflow) from investing activities		**119,805**	(38,295)	**119,805**	(38,295)
Cash flows from financing activities					
Issue of share capital		**-**	3,600	**-**	3,600
Repayments of lease liability		**(1,543)**	(339)	**(1,543)**	(339)
Finance costs		**(9)**	(142)	**(9)**	(142)
Net cash from financing activities		**(1,552)**	3,119	**(1,552)**	3,119
Net increase in cash		**103,705**	(43,544)	**103,705**	(43,544)
Cash and cash equivalents at the beginning of the year		**173,692**	217,236	**173,692**	217,236
Cash and cash equivalents at the end of the year		**277,397**	173,692	**277,397**	173,692

Consolidated and Company Statement of changes in equity
For the year ended 31 December 2020

Group	Share capital £'000	Share premium[i] £'000	Employees benefit trust £'000	Retained earnings[ii] £'000	Total £'000
At 1 January 2019	6,049	650,519	(6,121)	56,495	706,942
Comprehensive income	–	–	–	7,083	7,083
Issue of equity	34	3,566	–	–	3,600
At 31 December 2019	6,083	654,085	(6,121)	63,578	717,625
At 1 January 2020	**6,083**	**654,085**	**(6,121)**	**63,578**	**717,625**
Comprehensive income				**158,233**	**158,233**
At 31 December 2020	**6,083**	**654,085**	**(6,121)**	**221,811**	**875,858**

The Group incurred £nil (2019: £nil) of costs directly attributable to the issue of equity. The costs are netted off the capital raised.

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

Company	Share capital £'000	Share premium[i] £'000	Employees benefit trust £'000	Retained earnings[ii] £'000	Total £'000
At 1 January 2019	6,049	650,519	(6,121)	56,495	706,942
Comprehensive income	–	–	–	7,083	7,083
Issue of equity	34	3,566	–	–	3,600
At 31 December 2019	6,083	654,085	(6,121)	63,578	717,625
At 1 January 2020	**6,083**	**654,085**	**(6,121)**	**63,578**	**717,625**
Comprehensive income	**–**	**–**	**–**	**158,233**	**158,233**
At 31 December 2020	**6,083**	**654,085**	**(6,121)**	**221,811**	**875,858**

Notes to the financial statements

1. Accounting policies

Basis of preparation

The Annual Report and Accounts of Oxford Sciences Innovation plc ('OSI') are for the year ended 31 December 2020. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented. These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

Going concern

The Group currently has substantial cash reserves to meet working capital and investment requirements. As at 31 December 2020, the Group had cash balances of £412 million. Accordingly, the Group has adopted the going concern basis in preparing these financial statements.

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

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

Basis of consolidation

The Group accounts for business combinations using the acquisition method from the date that control is transferred to the Group (see (ii) Subsidiaries below). Both the identifiable net assets and the consideration transferred in the acquisition are measured at fair value at the date of acquisition and transaction costs are expensed as incurred. Goodwill arising on acquisitions is tested at least annually for impairment. In instances where the Group owns a non-controlling stake prior to acquisition, the step acquisition method is applied, and any gain or losses on the fair value of the pre-acquisition holding is recognised in the consolidated statement of comprehensive income.

(ii) Subsidiaries

The Group has two subsidiary companies, OSI Midco Limited and OSI Services Limited. These subsidiary assets at fair value through profit or loss are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

Change in fair value

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

Revenue from services and other income

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

Property, plant and equipment

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

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

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

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

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

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

Debt investments
The Group generally issues unsecured debt instruments which are convertible to equity at a future point in time. Such investments contain a fixed discount rate on the future subscription price, the interest. They are carried at amortised cost with interest being recognised as finance income. The debt investments are financial assets assessed for impairment in accordance with IFRS 9. During the year, no provisions (2019: £631k) were made for expected credit losses.

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

Level 1: Quoted prices in active markets.

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

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

Equity investments
The fair value of unlisted securities will be established using valuation techniques. These include the use of recent arm's-length transactions, discounted cash flow analysis and earnings multiples. Wherever possible the Group uses valuation techniques which make maximum use of market-based inputs. Accordingly, the valuation methodology expected to be used most commonly by the Group is the 'price of recent investment' contained in the International Private Equity and Venture Capital Valuation Guidelines (the 'IPEVCV Guidelines') endorsed by the British & European Venture Capital Associations. The following considerations are used when calculating the fair value of unlisted securities.

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

1. Accounting policies continued

Price of recent investment

The Group 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 Group'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 Group 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 Group 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 Group 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 Group and the overall economic environment.

Where the Group 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 Group and the experience and judgement of the Group. However, any adjustment is, by its very nature, subjective. Where a deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Group 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 Group will consider include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction.

Other valuation techniques

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

No reliable estimate

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

Equity rights

The equity rights' asset represents the present value of the founders' equity of spinout companies that the Group 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. OSI has received these rights for the period to March 2030 in return for the University of Oxford receiving a shareholding in OSI. It is considered to be a derivative financial asset and is designated as at fair value through profit and loss. Further details on the treatment of this asset are included in note 13.

Deposits

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

Cash and cash equivalents

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

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

Unless otherwise indicated, the carrying amounts of the Group'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 Group provides share-based payment arrangements to certain employees.

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

LAB282 and LAB10x fund
The grants made give OSI rights to equity in any resulted future spinouts and represent financial assets that the Group elects to hold at fair value through profit and loss. However, as the grants are for early-stage research with high levels of uncertainty, the fair value at inception is considered to be nil, resulting in an immediate fair value loss in the statement of comprehensive income.

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

University Challenge Seed Fund ('UCSF')
The grants made give OSI rights to equity in any resulted future spinouts and represent financial assets that the Group elects to hold at fair value through profit and loss.

Standards issued but not yet effective
There are no new accounting standards or amendments to existing accounting standards effective from 1 January 2020 that have an impact on the Group, nor any standards that are in issue but not yet effective and expected to have a material impact in future periods.

2. Financial risk management
As set out in the principal risks and uncertainties section on pages 36 to 39, the Group 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 Group is exposed to equity securities price risk as a result of its investments, categorised as at fair value through profit or loss.

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

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

(ii) Interest rate risk
As the Group has no significant borrowings, it has only a limited interest rate risk. The primary impact to the Group 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 Group.

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

2. Financial risk management continued

(b) Liquidity risk

The Group 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 Group only invests working capital in instruments issued by reputable counterparties. The Group continually monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements.

(c) Credit risk

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

3. Significant accounting estimates and judgements

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

(i) Valuation of unquoted equity investments

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

(ii) Valuation of Equity Rights

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

(iii) Cash-settled share-based payments

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

(iv) LAB282 investment

The judgement required to determine the fair value of LAB282 projects have a significant risk of causing material adjustment to the carrying amounts of assets. The judgements include assessing the certainty of commercialisation of early-stage research.

(v) Debt Instruments

The judgements required to determine the fair value of debt instruments have a significant risk of causing material adjustment to the carrying value of assets. The judgements include assessing the recoverability of the unsecured loans issued. As at the balance sheet date, £31m (2019: £10.4m) were reflected in debt instruments.

(vi) LTIP

The judgements required to determine the fair value of the LTIP charges at the balance sheet date represents a significant accounting estimate. There is inherent judgements in the key inputs into the valuation, such as the projected growth in value of the Group, the discount rate applied, exit dates of portfolio companies and time in service for participants.

(vii) Vaccitech Limited

In respect of the investment in Vaccitech Limited, with a fair value of £53m as at 31 December 2020, there is considered to be a greater level of uncertainty compared to the other portfolio investments. The valuation has been rolled forward from previous £20.7m with an estimate of discounted future cash flows in respect of the COVID-19 vaccination for which Vaccitech holds royalty rights. The key input into the valuation is future annual commercial revenues generated by this vaccine and it is noted that, due to the ongoing level of uncertainty regarding the ongoing concerns as to the applicability of the Astra Zeneca vaccination and also noting the degree of prudence built in to this exercise considering , the future annual revenues could be 150% higher yet still be considered to be in a reasonable range and based on supportable assumptions. If the future annual revenues were 150% greater, the valuation of this investment would be £19m higher all other factors being equal.

4. Revenue from services

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

5. Operating segments

The Group's operations are wholly within the UK. For management reporting the Group 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:

	2020 £'000	2019 £'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**75**	60
Taxation compliance services	**8**	17
All other taxation services	**418**	213
	501	290

7. Profit from operations

Profit from operations has been arrived at after charging:

	2020 £'000	2019 £'000
Employee costs (see note 8)	**2,342**	6,457
Depreciation of right-of-use assets (see note 11)	**1,632**	681
Depreciation of tangible assets (see note 10)	**539**	332

8. Employee costs

Employee costs (including Directors) comprise:

	2020 £'000	2019 £'000
Wages and salaries	**7,326**	3,632
Social security costs	**968**	458
Pension costs	**106**	71
Long-term bonus charge	**(6,983)**	2,054
LTIP charge	**1,245**	–
Share-based payment charge	**310**	242
	2,972	6,457

During the year, the Long-term bonus scheme was replaced by a new LTIP scheme which has resulted in the previous provisions to be released as the liability will build up across the vesting period.

The average monthly number of persons (including the Executive Directors and Non-Executive Directors) employed by the Group during the year was 42 (2019: 33), 35 (2019: 26) of whom were involved in management and administration activities. Details of the Directors' remuneration can be found in the Remuneration Committee Report on pages 56 and 57.

9. Taxation

	2020 £'000	2019 £'000
Current tax:		
Tax at the UK corporation tax rate of 19% (2019: 20%)	**22,360**	–
Adjustments in respect of prior years	**-**	–
Total current tax	**22,360**	–
Deferred tax:		
Origination and reversal of temporary differences	**-**	–
Adjustment in respect of prior periods	**-**	–
	-	–
Tax on profit on ordinary activities	**22,360**	–

9. Taxation continued

Reconciliation of tax charge

	2020 £'000	2019 £'000
Profit/(loss) on ordinary activities before tax	**180,593**	6,740
Tax on loss on ordinary activities at standard corporation tax rate of 19% (2019: 20%)	**34,313**	1,281
Expenses not deductible for tax purposes	**-**	287
Fixed asset differences	**68**	-
Income not taxable for tax purposes	**(9,368)**	(2,652)
Movement on share-based payments	**59**	46
Chargeable gains/(losses)	**(80)**	-
Movement in tax losses arising not recognised	**(2,632)**	1,038
	22,360	-

At 31 December 2020, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £0.7 million (2019: £1.7 million). An analysis is shown below:

	2020		2019	
	Amount £'000	Deferred £'000	Amount £'000	Deferred £'000
Unused tax losses	**2,871**	**545**	16,855	2,865

At 31 December 2020, deductible temporary differences and unused tax losses, for which a deferred tax asset/(liability) has been recognised, totalled £nil (2019: £nil). An analysis is shown below:

	2020		2019	
	Amount £'000	Deferred £'000	Amount £'000	Deferred £'000
Temporary timing differences	**2,870**	**545**	9,191	1,562
Unused tax losses	**(2,870)**	**(545)**	(9,191)	(1,562)
	-	**-**	-	-

10. Fixed assets

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Group			
Cost:			
At 1 January 2019	1,014	543	1,557
Additions	3,685	63	3,748
Disposal	(396)	-	(396)
At 31 December 2019	**4,303**	**606**	**4,909**
Additions	**3,745**	**41**	**3,786**
Disposals	**-**	**-**	**-**
At 31 December 2020	**8,048**	**647**	**8,695**
Group			
Accumulated depreciation:			
At 1 January 2019	411	271	682
Charge for the year	248	84	332
Disposal	(396)	-	(396)
At 31 December 2019	**263**	**355**	**618**
Charge for the year	**469**	**70**	**539**
Disposals	**-**	**-**	**-**
Carrying value			
At 31 December 2020	**732**	**425**	**1,157**
At 31 December 2019	4,040	251	4,291
At 31 December 2020	**7,316**	**222**	**7,538**

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Company			
Cost:			
At 1 January 2019	1,014	543	1,557
Additions	3,685	63	3,748
Disposal	(396)	–	(396)
At 31 December 2019	**4,303**	**606**	**4,909**
Additions	**3,745**	**41**	**3,786**
Disposals	**-**	**-**	**-**
At 31 December 2020	**8,048**	**647**	**8,695**
Company			
Accumulated depreciation:			
At 1 January 2019	411	271	682
Charge for the year	248	84	332
Disposal	(396)	–	(396)
At 31 December 2019	**263**	**355**	**618**
Charge for the year	**469**	**70**	**539**
Disposals	**-**	**-**	**-**
Carrying value			
At 31 December 2020	**732**	**425**	**1,157**
At 31 December 2019	4,040	251	4,291
At 31 December 2020	**7,316**	**222**	**7,538**

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

Group **Right-of-use assets**	
Cost:	
At 1 January 2020	16,445
Additions	–
At 31 December 2020	**16,445**
Accumulated depreciation:	
At 1 January 2020	681
Charge for the year	1,640
At 31 December 2020	**2,321**
Carrying amount	
At 31 December 2020	**14,124**
At 31 December 2019	15,764

Group **Lease liabilities**	**2020** **£'000**
At 1 January 2020	**16,650**
Interest	**407**
Lease payments	**(1,527)**
At 31 December 2020	**15,530**
Current	**1,138**
Non-current	**14,392**

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

Company Right-of-use assets	
Cost:	
At 1 January 2020	16,445
	–
At 31 December 2020	**16,445**
Accumulated depreciation:	
At 1 January 2020	681
Charge for the year	1,640
At 31 December 2020	**2,321**
Carrying amount	
At 31 December 2020	**14,124**
At 31 December 2019	15,764

Company Lease liabilities	2020 £'000
At 1 January 2020	**16,650**
Interest	**407**
Lease payments	**(1,527)**
At 31 December 2020	**15,530**
Current	**1,138**
Non-current	**14,392**

12. Investment portfolio

Group	Level 2 equity investments in unquoted spinout companies £'000	Level 3 equity investments in unquoted spinout companies £'000	Total £'000
At 1 January 2019	155,789	73,156	228,945
Investments during the year	51,277	–	51,277
Disposal during the period	(1,392)	–	(1,392)
Other transfers between hierarchy levels during the year	(76,293)	76,293	–
Change in fair value in the year	11,810	–	11,810
At 31 December 2019	141,191	149,449	290,640
At 1 January 2020	**141,191**	**149,449**	**290,640**
Investments during the year (including founder shares received)	**92,986**	**-**	**92,986**
Disposals during the period	**(11,996)**	**-**	**(11,996)**
Other transfers between hierarchy levels during the year	**(94,385)**	**94,385**	**-**
Change in fair value in the year	**53,252**	**-**	**53,252**
At 31 December 2020	**181,048**	**243,834**	**424,882**

Company	Level 2 equity investments in unquoted spinout companies £'000	Level 3 equity investments in unquoted spinout companies £'000	Total £'000
At 1 January 2019	155,789	73,156	228,945
Investments during the year	51,277	–	51,277
Disposal during the period	(1,392)	–	(1,392)
Other transfers between hierarchy levels during the year	(76,293)	76,293	–
Change in fair value in the year	11,810	–	11,810
At 31 December 2019	141,191	149,449	290,640
At 1 January 2020	**141,191**	**149,449**	**290,640**
Investments during the year (including founders share received)	**92,986**	**-**	**92,986**
Disposals during the period	**(11,996)**	**-**	**(11,996)**
Other transfers between hierarchy levels during the year	**(45,375)**	**45,375**	**-**
Transfer to subsidiary	**(81,987)**	**-**	**(81,987)**
Change in fair value in the year	**49,838**	**-**	**49,838**
At 31 December 2020	**144,657**	**194,824**	**339,481**

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

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

There are no identified unobservable inputs to which the Level 3 fair values would be materially sensitive, excluding Vaccitech Limited described in significant judgements. This is represented by the fact that if the fair value of all Level 3 investments, totalling 46 investments, were to decrease by 10%, the net assets figure would decrease by £19.5 million (2019: £14.9 million), with a corresponding increase if the unobservable inputs were to increase by 10%.

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

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

Transfers between Level 2 and Level 3 occur when an investment's recent third-party led investment becomes more than 12 months old, with the price being deemed unobservable. In the current period, transfers of this nature amounted to £45.4 million (2019: £76.3 million).

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

Group	**2020 £'000**	2019 £'000
Fair value gains (unrealised)	**53,252**	11,810

(i) Fair value movements include £75.8 million (2019: £20.3 million) of fair value gains and £22.5 million (2019: £8.5 million) of fair value losses.

12. Investment portfolio continued

Details of investee companies

	Registered office	Proportion of nominal value held (Group)	Proportion of nominal value held (Company)	Country
Ordinary Shares	46 Woodstock Road, Oxford, OX2 6HT	37%	29%	
A Ordinary Shares		0%	0%	
Preferred Seed Shares		50%	40%	
1715 Labs Limited		34%	27%	UK
Aistetic Limited	Buxton Court, 3 West Way, Oxford, Oxfordshire, OX2 0JB	2%	2%	UK
Ordinary Shares	Unit 15 Oxford Industrial Park, Mead Road,Yarnton, Oxon, OX5 1QU	7%	6%	UK
A Ordinary Shares		100%	79%	
Preference Shares		32%	25%	
Alloyed Limited		26%	21%	
Ordinary Shares	4610/20 Cascade Way, Oxford Business Park South, Oxford, OX4 2SU	12%	9%	UK
Seed Shares		0%	0%	
Seed-2 Shares		79%	62%	
Animal Dynamics Limited		40%	32%	
Argonaut Therapeutics Limited	Magdalen Centre, 1 Robert Robinson Avenue, The Oxford Science Park, Oxford, OX4 4GA	40%	32%	UK
Asymmetric Suzuki Reactions Limited	Oxford Technology Management Magdalen Centre, Oxford Science Park, Oxford, OX4 4GA	16%	13%	UK
Ordinary A Shares	Ark Co-Working, 237 Pentonville Road, London, N1 9NJ	24%	19%	UK
Ordinary B Shares		0%	0%	
Ordinary C Shares		0%	0%	
Deferred Shares		0%	0%	
Preferred Shares		9%	7%	
BibliU Limited		20%	16%	
Ordinary		36%	28%	
B Ordinary		0%	0%	
Blue field Labs Limited	21 Bedford Square, Fspg, 21 Bedford Square, London, WC1B 3HH	23%	19%	UK
Bodle Technologies Limited	2 Chawley Park Cumnor Hill, Oxford, Oxfordshire, OX2 9GG	28%	22%	UK
BreatheOx Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	13%	10%	UK
Ordinary Shares	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	7%	6%	UK
A Ordinary Shares		66%	52%	
Brill Power Limited		32%	25%	
Ordinary Shares	New Barclay House, Botley Road, Oxford, OX2 0HP	18%	14%	UK
B Ordinary Shares		17%	13%	
Caristo Diagnostics Limited		18%	14%	
Ordinary Shares	Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	61%	48%	UK
Preferred Shares		100%	79%	
Circadian Therapeutics Limited		91%	72%	
Cocotec Limited	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG	5%	4%	UK
Connido Limited	Accelerator, 35 Kingsland Road, London, E2 8AA	3%	2%	UK
Cortex Organics Limited	2 Hinksey Court, Church Way, Oxford, OX2 9SX	10%	8%	UK
Ordinary Shares	601 The Green House, The Custard Factory, Gibb Street, Birmingham, B9 4DP	24%	19%	UK
A Ordinary Shares		22%	17%	
Covatic Limited		23%	18%	

	Registered office	Proportion of nominal value held (Group)	Proportion of nominal value held (Company)	Country
Cristal Health Limited	Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	10%	8%	UK
Ordinary Shares	46 Woodstock Road, Oxford, OX2 6HT	57%	45%	UK
Preferred Shares		77%	61%	
Series A Shares		40%	32%	
Dark Blue Therapeutics Limited		49%	39%	
DeepReason.AI Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	8%	6%	UK
Ordinary Shares	Ramsey House, 10 St. Ebbes Street, Oxford, OX1 1PT	27%	21%	UK
Series A Shares		37%	29%	
Diffblue Limited		31%	25%	
DJS Antibodies Limited	Cherwell Innovation Centre, 77 Heyford Park, Upper Heyford, Bicester, Oxfordshire, OX25 5HD	32%	25%	UK
Edtopia Limited	Westhall Barn, Westhall Hill, Fulbrook, Burford, Oxfordshire, OX18 4BJ	18%	14%	UK
Effective Investing Limited	158 Whitecross, Abingdon, OX13 6BT	21%	17%	UK
Enzbond Limited	6th Floor 105 Victoria Street, Westminster, London, SW1E 6DT	37%	29%	UK
Ordinary Shares	Medawar Centre, East Building, Robert Robinson Avenue, Oxford, OX4 4GA	75%	59%	UK
Preferred Shares		14%	11%	
Evox Therapeutics Limited		45%	36%	
Ordinary Shares	Unit 10 Mead Road, Yarnton, Kidlington, Oxfordshire, OX5 1QU	18%	14%	UK
A Ordinary Shares		0%	0%	
First Light Fusion Limited		18%	14%	
GaitQ Limited	2 Chawley Park, Cumnor Hill, Oxford, OX2 9GG	5%	4%	UK
Genomics Plc	King Charles House, Park End Street, Oxford, OX1 1JD	4%	3%	UK
The Global Health Research Accelerator CIC	9400 Garsington Road, Oxford Business Park, Oxford, Oxfordshire, OX4 2HN	15%	12%	UK
Ground Truth Labs Limited	9400 Garsington Road, Oxford Business Park, Oxford, Oxfordshire, OX4 2HN	6%	5%	UK
Global Malaria Vaccines		5%	5%	DE
GTT Analytics Limited	11 Binsey Lane, Oxford, OX2 0EX	2%	2%	UK
Gyreox Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	18%	14%	UK
Helio Display Materials Limited	The Walbrook Building, 25 Walbrook, London, EC4N 8AF	4%	3%	UK
Hexr Limited	West Wing Somerset House, The Strand, London, WC2R 1LA	12%	9%	UK
Huma Therapeutics Limited	13th Floor Millbank Tower, 21-24 Millbank, London, SW1P 4QP	1%	1%	UK
IntraBio Inc.	PO Box 1039, Charleston, SC 29502	1%	1%	USA
Iota Sciences Limited	Begbroke Science Park Begbroke Hill, Woodstock Road, Yarnton, Oxfordshire, OX5 1PF	44%	35%	UK
Ordinary Shares	The Broadgate Tower 8th Floor, 20 Primrose Street, London, EC2A 2EW	13%	10%	UK
Seed Preferred		0%	0%	
iOx Therapeutics Limited		5%	4%	

12. Investment portfolio continued

	Registered office	Proportion of nominal value held (Group)	Proportion of nominal value held (Company)	Country
Ordinary Shares	3rd Floor 1 Ashley Road, Altrincham, Cheshire,	5%	4%	UK
Series A Preferred Shares	WA14 2DT	0%	0%	
Ivy Farm Technologies Limited		2%	2%	
Living Optics Limited	Oxford Centre For Innovation, New Road, Oxford, Oxfordshire, OX1 1BY	31%	25%	UK
Machine Discovery Limited	John Eccles House, Robert Robinson Avenue, Oxford Science Park, Oxford, OX4 4GP	12%	9%	UK
A Ordinary Shares	White Building 1-4 Cumberland Place,	100%	79%	UK
B Ordinary Shares	Southampton, SO15 2NP	0%	0%	
C Ordinary Shares		0%	0%	
Macrophox Limited		38%	30%	
Ordinary Shares	Chawley Park, Cumnor Hill, Oxford, OX2 9GG	46%	36%	UK
Ordinary A Shares		78%	62%	
Metaboards Limited		48%	38%	
Ordinary Shares	9400 Garsington Road, Oxford Business Park,	20%	16%	UK
A Ordinary Shares	Oxford, OX4 2HN	0%	0%	
A Preference Shares		50%	40%	
Mind Foundry Limited		23%	18%	
Ordinary Shares	Bioescalator Building, Roosevelt Drive, Oxford,	19%	15%	UK
Series A Shares	OX3 7FZ	36%	28%	
MiroBio Limited		34%	27%	
Ordinary Shares	30 Upper High Street, Thame, Oxfordshire,	24%	19%	UK
A Ordinary Shares	OX9 3EZ	21%	17%	
Mixergy Limited		23%	18%	
MoA Technology Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	34%	27%	UK
Ordinary Shares	Ramsey House, 10 St Ebbes Street, Oxford,	32%	25%	UK
Series A Shares	OX1 1PT	14%	11%	
Growth Shares		0%	0%	
Navenio Limited		27%	21%	
Class A Common	1818 Library Street, Suite 500, Reston, VA	3%	2%	USA
Class E Common	20200	0%	0%	
Ni2o Inc		1%	1%	
Ordinary Shares	Bioescalator Building, Roosevelt Drive, Oxford,	16%	13%	UK
A Ordinary Shares	OX3 7FZ	100%	79%	
Nucleome Therapeautics Limited		24%	19%	
ODQA Renewable Energy Technologies Limited	85 Tottenham Court Road, 3rd Floor, Office Number 328, London, W1T 4TQ	29%	23%	UK
Ordinary Shares	Schrödinger Building, Heatley Road, Oxford	44%	35%	UK
Series A Shares	Science Park, Oxford, OX4 4GE	33%	26%	
OMass Therapeutics Limited		35%	28%	
Opsydia Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	38%	30%	UK
Ordinary Shares	The Schrodinger Building, Heatley Road,	36%	28%	UK
Preference Shares	Oxford, Oxfordshire, OX4 4GE	65%	51%	
Orbit Discovery Limited		36%	28%	
Orca Computing Limited	Translation And Innovation Hub, 80 Wood Lane, London, W12 0BZ	4%	3%	UK
Ordinary Shares	King Charles House, Park End Street, Oxford,	33%	26%	UK
Series B Shares	OX1 1JD	24%	19%	
Osler Diagnostics Limited		31%	25%	

	Registered office	Proportion of nominal value held (Group)	Proportion of nominal value held (Company)	Country
OXDH Limited	The Cow Shed, 19 Wharf Road, Shillingford, Wallingford, OX10 7EW	5%	4%	UK
Oxford Brain Diagnostic Limited	The Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	13%	10%	UK
Oxford Endovascular Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	30%	24%	UK
Sonosine Limited	The Centre Of Innovation And Enterprise, Oxford University Begbroke Science Park, Begbroke Hill, Woodstock Road, Begbroke, OX5 1PF	10%	8%	
Ordinary Shares	Osney Mead, Oxford, OX2 0DP	42%	33%	UK
B Shares		100%	79%	
P Shares		39%	31%	
Oxford Flow Limited		41%	32%	
Oxford HighQ Limited	Centre For Innovation And Enterprise, Begbroke Science Park, Begbroke Hill, Kidlington, OX5 1PF	13%	10%	UK
Ordinary Shares	Windsor House, Cornwall Road, Harrogate, HG1 2PW	20%	16%	UK
Seed Shares		44%	35%	
Oxford Ionics Limited		35%	28%	
Oxford Molecular Biosensors Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	11%	9%	UK
Ordinary Shares	Linacre House Jordan Hill Business Park, Banbury Road, Oxford, OX2 8TA	48%	38%	UK
Series A Shares		30%	24%	
Oxford Nanoimaging Limited		44%	35%	
Oxford Quantum Circuits Limited	Aldgate Tower, 2 Leman Street, London, E1 8QN	28%	22%	UK
Oxford Semantic Technologies Limited	Units 1 & 2, Field View, Baynards Green Business Park, Bicester, OX27 7SG	20%	16%	UK
Oxford Simcell Limited	Ash Tree Farm Faringdon Road, Cumnor, Oxford, OX2 9QX	9%	7%	UK
Oxford Sustainable Fuels Limited	Centre For Innovation And Enterprise, Begbroke Science Park, Begbroke Hill, Kidlington, OX5 1PF	19%	15%	UK
Ordinary Shares	Oxford Centre For Innovation, New Road, Oxford, OX1 1BY	42%	33%	UK
Series A Shares		33%	26%	
Oxford VR Limited		38%	30%	
Ordinary Shares	Sandford Gate, Sandy Lane West, Oxford, OX4 6LB	7%	6%	UK
B Ordinary Shares		0%	0%	
Oxsight Limited		6%	5%	
Oxstem Limited	First Floor, 23 Park End Street, Oxford, OX1 1HU	7%	6%	UK
OxVent Limited	Milton Road, Cambridge, Cambridgeshire, CB4 0DP	3%	2%	UK
Class A Common	Suite 900, 1 Marina Park Drive, Boston MA 02210	12%	9%	USA
Series A-2 Preferred		24%	19%	
Series A-1 Preferred		94%	74%	
Series A-2 Warrant		0%	0%	
PepGen Inc		50%	40%	
A Ordinary Shares	Gemini One John Smith Drive, Oxford Business Park South, Oxford, Oxfordshire, OX4 2LL	0%	0%	UK
B Ordinary Shares		21%	17%	
Perspectum Diagnostics Limited		6%	5%	

12. Investment portfolio continued

	Registered office	Proportion of nominal value held (Group)	Proportion of nominal value held (Company)	Country
PhishAR Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	15%	12%	UK
Ordinary Shares	267 (Prama House) Banbury Road,	18%	14%	UK
Seed I Shares	Summertown, Oxford, OX2 7HT	79%	62%	
Seed II Shares		23%	18%	
PQShield Limited		31%	25%	
Prenetics Limited	7thFloor, Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong	1%	1%	HK
Pro-Mapp Limited	9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN	10%	8%	UK
Proxisense Limited	2 Chawley Park, Cumnor Hill, Oxford, Oxfordshire, OX2 9GG	36%	28%	UK
Qdot Technology Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	13%	10%	UK
Quantum Dice Limited	Buxton Court, 3 West Way, Oxford, OX2 0JB	8%	6%	UK
Ordinary Shares	Nexus, Discovery Way, Leeds, LS2 3AA	36%	28%	UK
Series A Shares		21%	17%	
B Ordinary Shares		0%	0%	
Quantum Motion Technologies Limited		28%	22%	
Ordinary Shares	9400 Garsington Road, Oxford Business Park,	30%	24%	UK
Series A1 Shares	Oxford, OX4 2HN	34%	27%	
Series A2 Shares		0%	0%	
Refeyn Limited		30%	24%	
Scenic Biotech B.V	Science Park 406 (4th Floor), 1098 XH, Amsterdam	15%	12%	NL
Singula Bio Limited	30 St. Giles, Oxford, OX1 3LE	5%	4%	UK
Ordinary Shares	Wood Centre For Innovation Stansfeld Park,	3%	2%	UK
Ordinary A Shares	Quarry Road, Headington, Oxford, OX3 8SB	0%	0%	
Spintex Engineering Limited		3%	2%	
Ordinary Shares	7600 The Quorum, Alec Issigonis Way, Oxford	20%	16%	UK
Ordinary A Shares	Business Park North, OX4 2JZ	100%	79%	
SpyBiotech Limited		26%	21%	
Ordinary Shares	The Schrodinger Building, Heatley Road,	36%	28%	UK
Preferred Seed Shares	Oxford, OX4 4GE	71%	56%	
T-Cypher Bio Holdings Limited		63%	50%	
Ordinary Shares	Bioescalator, Roosevelt Drive, Oxford,	55%	44%	UK
Series A Shares	OX3 7DQ	14%	11%	
Theolytics Limited		38%	30%	
Yasa Motors Limited	11-14 Oxford Industrial Park Mead Road, Yarnton, Kidlington, England, OX5 1QU	13%	10%	UK
Ordinary Shares	2 Chawley Park, Cumnor Hill, Oxford,	30%	24%	UK
Ordinary A Shares	OX2 9GG	100%	79%	
Ultromics Limited		34%	27%	
Ordinary Shares	Schrödinger Building, Heatley Road, Oxford	59%	47%	UK
A Shares	Science Park, Oxford, OX4 4GE	25%	20%	
Vaccitech Limited		43%	34%	
Xerion Healthcare Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	41%	32%	UK
Zegami Limited	Magma House 16 Davy Court, Castle Mound Way, Rugby, CV23 0UZ	28%	22%	UK

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

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

13. Investment of subsidiary undertakings

Company	Total £'000
Distribution from parent	**81,987**
Change in fair value in the year	**2,169**
At 31 December 2020	**84,156**

	Registered office	Proportion of nominal value held	Country
OSI Midco Limited	46 Woodstock Road, Oxford, OX2 6HT	100%	UK
OSI Services Limited	3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG	100%	Jersey

14. Equity Rights

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Fair value of Equity Rights at 1 January	**16,638**	20,363	**16,638**	20,363
Founders' Equity received in spinouts from University of Oxford during the year	**(981)**	(3,725)	**(981)**	(3,725)
Fair value of Equity Rights at 31 December	**15,657**	16,638	**15,657**	16,638

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

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

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

	2020	2019
Number of spinout companies from University of Oxford per annum	**10**	10
Number of years until exit event	**3-10**	3-10
Equity stake acquired by OSI	**17%**	17%
Dilution rates prior to exit as a result of subsequent financing for spinout companies	**81%**	81%
Proportion of spinout companies failing	**40%**	40%
Proportion of disposals that exit through an IPO	**25%**	25%
IPO valuations at exit	**£50m**	£50m
Proportion of disposals that exit through a trade sale	**35%**	35%
Disposal valuations through a trade sale	**£48.6m**	£48.6m
Discount rate	**15%**	15%

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

These variables result in a fair value of the Equity Rights asset of £15.7 million (2019: £16.6 million).

Had there been 1 revision made to the assumptions inherent in the model during the year, the valuation as at the 31 December 2020 balance sheet date would be £16.6 million (2019: £20.4 million).

15. Loans and advances

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Loan to portfolio company[(i)]	**–**	500	**–**	500
Other receivables	**372**	372	**372**	372
	372	872	**372**	872

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

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

16. LAB282 fund

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Fair value of projects	**2,321**	4,929	**2,321**	4,929
Cash	**835**	640	**835**	640
	3,156	5,569	**3,156**	5,569

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, a further £3 million was committed by the Group.

These funds are retained in a separate bank account that is administered by OSI and contains £0.4 million (2019: £0.2 million) of additional funding from a third party.

During the year, £2.8 million (2019: £6.1 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. During the year, nil (2019: 11) projects have been identified as potential new company candidates. LAB282 assets of £2.8 million were transferred into Dark Blue Therapeutics Limited. At the balance sheet date grants totalling £2.3 million (2019: £4.9 million) were recognised as the investment fair value.

17. LAB10x fund

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash	**410**	515	**410**	515
	410	515	**410**	515

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

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

During the year, £0.1 million (2019: £0.04 million) was invested in translational funding (and other related administration costs) which have been recognised in the profit and loss.

18. UCSF

	Group		Company	
	2020 **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Investment	**3,933**	5,000	**3,933**	5,000
	3,933	5,000	**3,933**	5,000

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, £1.1 million (2019: £nil) 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.

19. Trade and other receivables

	Group		Company	
Current debtors	**2020** **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Trade debtors	**567**	401	**567**	401
Prepayments and accrued income	**8,089**	3,761	**8,089**	3,761
Other receivables	**1,021**	1,984	**1,021**	1,984
	9,677	6,146	**9,677**	6,146

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 £0.1 million is overdue and, as such, any expected credit losses are considered immaterial for the purpose of provision.

20. Debt instruments

	Group		Company	
Debt instruments	**2020** **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Convertible loans	**31,059**	10,481	**31,059**	10,481
	31,059	10,481	**31,059**	10,481

Convertible loans 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 the recipient's equity instruments, are fixed and so there is no embedded derivative.

During the year, no impairment losses (2019: £631k) was made and any expected credit losses provision is immaterial.

21. Trade and other payables

	Group		Company	
Current liabilities	**2020** **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Trade payables	**1,432**	618	**1,432**	618
Social security and other taxation	**1,755**	53	**1,755**	53
Other accruals and deferred income	**3,238**	1,722	**3,238**	1,722
Other payables	**1,421**	1,551	**1,421**	1,551
	7,846	3,944	**7,846**	3,944

Included in other payables is £1.4 million (2019: £1.1million), which represents the fair value of the liability in respect of cash-settled share-based payments.

Notes to the financial statements continued

22. Provisions for liabilities and charges

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Provisions for liabilities and charges	**1,253**	7,008	**8**	7,008
	1,253	7,008	**8**	7,008

Included in the provisions for liabilities and charges is £nil (2019: £7 million) representing the fair value of the liability in respect of the long-term bonus plan.

During the year, the long-term bonus plan was replaced by the long-term incentive plan, which resulted in the release of the existing provision under the old scheme.

23. Share capital

	Group				Company			
	2020		2019		**2020**		2019	
Issued and fully paid:	**Number (m)**	**£'000**	Number (m)	£'000	**Number (m)**	**£'000**	Number (m)	£'000
Ordinary Shares of 1p each								
At 1 January	**608.3**	**6,083**	604.9	6,049	**608.3**	**6,083**	604.9	6,049
Issued	**–**	**–**	3.4	34	**–**	**–**	3.4	34
At 31 December	**608.3**	**6,083**	608.3	6,083	**608.3**	**6,083**	608.3	6,083

24. Employee's benefit trust

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Balance at the beginning of the year	**6,121**	6,121	**6,121**	6,121
Balance at the end of the year	**6,121**	6,121	**6,121**	6,121

The Group has a JSOP to provide incentives to Directors and employees. At 31 December 2020, the following Ordinary Shares were held in the JSOP:

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

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

25. Categorisation of financial instruments

Group Financial assets	Designated upon initial recognition £'000	Amortised cost £'000	Total £'000
At 31 December 2020			
Equity investments	**424,882**	**–**	**424,882**
Trade and other receivables	**–**	**32,621**	**32,621**
Deposits	**–**	**134,643**	**134,643**
Cash and cash equivalents	**–**	**277,397**	**277,397**
Total	**424,882**	**444,661**	**869,543**
At 31 December 2019			
Equity investments	290,640	–	290,640
Trade and other receivables	–	16,627	16,627
Deposits	–	215,619	215,619
Cash and cash equivalents	–	173,692	173,692
Total	290,640	405,938	696,578

There are financial liabilities at amortised cost of £7.9 million (2019: £3.9 million) that comprise trade payables, other payables and accounts.

Company Financial assets	Designated upon initial recognition £'000	Amortised cost £'000	Total £'000
At 31 December 2020			
Equity investments	**339,481**	**–**	**339,481**
Investment in subsidiary undertaking	**84,156**	**–**	**84,156**
Trade and other receivables	**–**	**32,621**	**32,621**
Deposits	**–**	**134,643**	**134,643**
Cash and cash equivalents	**–**	**277,397**	**277,397**
Total	**423,637**	**444,661**	**868,298**
At 31 December 2019			
Equity investments	290,640	–	290,640
Trade and other receivables	–	16,627	16,627
Deposits	–	215,619	215,619
Cash and cash equivalents	–	173,692	173,692
Total	290,640	405,938	696,578

There are financial liabilities at amortised cost of £7.9 million (2019: £3.9 million) that comprise trade payables, other payables and accounts.

26. Related party transactions
The Group has had related party transactions during 2020 as follows:

a) Expenses incurred by shareholders on the Group's behalf
These totalled £1.7k (2019: £1.7k) and were paid by the largest shareholder, Lansdowne Partners LLP. £nil (2019: £nil) was outstanding at 31 December 2020. These were expenses incurred by Lansdowne Partners LLP to the benefit of OSI which were recharged in accordance with the appointment letter of the NED.

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

Statement of comprehensive income	2020 £'000	2019 £'000
Revenue from services	**2,146**	1,332

Statement of financial position	2020 £'000	2019 £'000
Trade receivables	**500**	401

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

Statement of financial position	2020 £'000	2019 £'000
Other receivables	**30,694**	4,956

c) Key management
Compensation to key management comprises payments to Executive and Non-Executive Directors of the Company. The aggregate gross pay, cash-settled share payments and long-term bonus plan to key management during 2020 was £3 million (2019: £2.2 million) including associated National Insurance costs.

Cash-settled share payments become payable once they have vested subject to certain criteria. As at 31 December 2020, £248k (2019: £203k) was outstanding and included in trade and other payables. No further loans were issued to key management during the year. As at 31 December 2020, £44k (2019: £44k) was outstanding and included in loans and advances.

The long-term bonus plan was replaced by the long-term incentive plan of vintage and value shares, which resulted in the release of the exisitng provision under the old scheme. As at 31 December 2020, £nil (2019: £932k) was outstanding and included in provisions for liabilities and charges.

25. Related party transactions continued

c) Key management continued

The long-term incentive plan vintage shares become payable once the investment surpluses have been realised and value shares are payable on an employee's exiting. As at 31 December 2020, £421k was outstanding and included in provisions for liabilities and charges.

d) University of Oxford

The Group incurred £4.2 million (2019: £9.4 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 2020, £nil (2019: £107k) was owed to the Group (in relation to a credit note) and included in trade receivables.

e) Oxford Flow Limited

The Group charged fees of £3k (2019: £20k) in relation to interest during the year. As at 31 December 2020, £nil (2019: £20k) was outstanding and included in trade debtors.

f) Numis Securities Limited

Numis Securities Limited, a shareholder, charged the Group with fees of £60k (2019: £60k) in relation to corporate development advice during the year, all at arm's length. As at 31 December 2020, £nil (2019: £36k) was outstanding.

g) IP Group plc

The Group provided services in the form of rent to IP Group plc, a shareholder, of £nil (2019: £5k) which was all at arm's length. As at 31 December 2020, £nil (2019: £nil) was outstanding.

e) Patchstack One Limited t/a Eporta

Patchstack One Ltd, where Aneeqa Khan held office, charged the Group with fees of £62k in relation to the property fit-out costs during the year, all at arm's length. As at 31 December 2020, £nil was outstanding.

25. Post-balance sheet events

The following investments have been completed since 31 December 2020:

- The Group invested £200k in Metaboards Limited in the form of a convertible loan note.
- The Group invested £1 million in Oxford Endovascular Limited, current shareholding decreased to 25%.
- The Group invested £10.8 million in Vaccitech Limited in February 2021, resulting in an increased fair value movement of £12.9 million, which will be reflected in the 2021 results. Current shareholding decreased to 29%.
- The Group invested £13.7 million in Evox Therapeutics Limited, current shareholding decreased to 36%.
- The Group invested £5 million in Genomics plc, current shareholding increased to 8%.
- Vaccitech plc (ticker symbol "VACC") listed on The Nasdaq Global Market on 30 April 2021. The Group invested £7.4m, current shareholding decreased to 26%. As at 12/05/2021, there was no material fair value movement from the Feb 2021 valuation.

Company information

Company registration number
9093331

Registered office
46 Woodstock Road
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Directors
Peter Davies (Non-Executive Director)
Jim Wilkinson (Chief Financial Officer)
Alan John Aubrey (Non-Executive Director)
Christopher Chambers (Non-Executive Chairman)
Bernard Taylor (Non-Executive Director)
Professor Sir John Bell GBE (Non-Executive Director)
Giles Kerr (Non-Executive Director)
Anneqa Khan (Non-Executive Director)
Andre Crawford-Brunt (Non-Executive Director)
Alexis Dormandy (Chief Executive Officer) (Appointed 16 October 2020)

Company Secretary
Pinsent Mason Secretarial Limited
Kate O'Brien

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