

**SOUTHAMPTON ASSET MANAGEMENT LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31<sup>ST</sup> JULY 2006**

Registered Number 4367489



# **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

### **CONTENTS**

	<u>Page</u>
Directors' Report	1-2
Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Accounts	6-10

**DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2006**

The Directors present their report and the audited financial statements of the Company for the year ended 31<sup>st</sup> July 2006.

**PRINCIPAL ACTIVITIES**

The Company operates as a holding company for investments in new technology arising from original research work at the University of Southampton.

**RESULTS**

The Company's loss for the year was £(4,781) (2005:- £Nil), and cumulative profit and loss account deficit (2005:- surplus), was £(4,735) (2005:- £46).

During the year, in return for intellectual property rights and cash, the Company received an allocation of shares in two new investments (2005:- three).

Using British Venture Capital Association (BVCA) rules, at 31<sup>st</sup> July 2006, excluding share options (see note 6), the Company's investments were valued at £15,733,157 (2005:- £11,587,473), largely through a marked increase in valuation of an unquoted investment through a much higher share price on its most recent fundraising. It should be noted that BVCA valuations for unquoted shares are indicative based upon the purchase price per share at the latest funding round as adjusted for subsequent events, and that this price may not be sustained in future funding rounds.

**DIRECTORS AND DIRECTORS' INTERESTS**

The Directors who served since the date of the last report were as follows:

Mr. J. B. Boyer (Chairman)  
Prof. P. N. Bartlett  
Mr. R. J. Davies  
Dr. J. S. Fox  
Prof. S. T. Holgate  
Mr. R. Marsden  
Prof. P. A. Nelson (appointed 13<sup>th</sup> October 2005)  
Mr. D. R. Norwood  
Prof. D. N. Payne  
Dr. T. Raven  
Mr. N. J. Squibb  
Prof. W. Wakeham  
Mr. A. J. Walker

None of the Directors held any beneficial interest in the shares of the Company, or other group companies.

# **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2006 (Continued)**

### **POST-BALANCE SHEET EVENTS**

The BVCA valuations for the Company's two quoted investments are as at 31<sup>st</sup> July 2006. Since that date, the share prices have fallen by about 15% due to market sentiment based upon circumstances outside the Companies' control. The Directors are confident that the Companies are trading well and that the share prices will recover. In addition, one other investment is undergoing refinancing to ensure continued stability.

### **DIRECTORS' RESPONSIBILITIES**

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

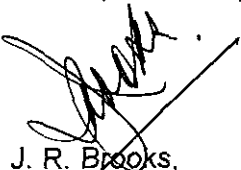
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to Auditors:-

- (a) So far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware, and
- (b) Each Director has taken all the steps that ought to have been taken as a Director in order to make himself aware of any audit information and to establish that the Company's Auditors are aware of that information, and that he has made such enquiries of his fellow Directors and of the Company's Auditors for that purpose, and taken such other steps (if any) for that purpose as are required by his duty as a Director of the Company to exercise due care, skill and diligence.

This report was approved by the Board of Directors on 20<sup>th</sup> November 2006.

  
J. R. Brooks,  
Secretary,  
14<sup>th</sup> December 2006

University of Southampton,  
Highfield,  
Southampton,  
SO17 1BJ

## **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHAMPTON ASSET MANAGEMENT LIMITED**

We have audited the financial statements of Southampton Asset Management Limited for the year ended 31<sup>st</sup> July 2006, which comprise the profit and loss account, balance sheet and related notes, on pages 4 to 10. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's Member, as a body, in accordance with Section 235 of Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Member those matters that we are required to state to it 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 Member as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

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

#### Basis of opinion

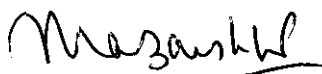
We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

#### Opinion

In our opinion:-

- the financial statements give a true and fair view, in accordance with United Kingdom generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st July 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.



**MAZARS LLP**  
**CHARTERED ACCOUNTANTS**  
and Registered Auditors

8 New Fields,  
2 Stinsford Road  
Poole, Dorset  
BH17 0NF

7 February 2007

**SOUTHAMPTON ASSET MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2006**

	Note	2006 £	2005 £
<b>TURNOVER</b>		-	-
Administrative expenses		(19,936)	(10,836)
<b>OPERATING LOSS ON ORDINARY ACTIVITIES</b>	2	(19,936)	(10,836)
Interest receivable		15,155	14,203
<b>OPERATING PROFIT (LOSS)</b>		(4,781)	3,367
Net surplus on sale of investment	14	-	496,596
<b>PROFIT (LOSS) BEFORE GIFT AID AND TAXATION</b>		(4,781)	499,963
Amounts payable by gift aid		-	(499,963)
<b>LOSS BEFORE TAXATION</b>		(4,781)	-
Taxation	5	-	-
<b>LOSS AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR</b>		(4,781)	-
<b>ACCUMULATED SURPLUS BROUGHT FORWARD</b>		46	46
<b>ACCUMULATED DEFICIT CARRIED FORWARD</b>		£(4,735)	£46

All activities of the Company are continuing operations.

The Company has no other gains or losses other than the above loss for the year.

The notes on pages 6 to 10 form part of these financial statements.

**SOUTHAMPTON ASSET MANAGEMENT LIMITED**

**BALANCE SHEET AS AT 31<sup>ST</sup> JULY 2006**

	Note	2006 £	2005 £
<b>FIXED ASSETS</b>			
Investments	1,6	4,819	4,399
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors	7	5,100	479
Cash and Bank		11,622	516,156
		<hr/>	<hr/>
		16,722	516,635
<b>CREDITORS</b>			
Amounts falling due within one year	8	(26,176)	(520,888)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(9,454)	(4,253)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		£(4,635)	£146
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	9	100	100
Profit and loss account		(4,735)	46
		<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS (DEFICIT)</b>	12	£(4,635)	£146
		<hr/>	<hr/>

The operations of the Company will continue to be supported by its Ultimate Parent Undertaking, the University of Southampton.

These financial statements were approved by the Board of Directors on 20<sup>th</sup> November 2006.



Dr. T. Raven  
Director

The notes on pages 6 to 10 form part of these financial statements.

# **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

## **NOTES TO THE ACCOUNTS – 31<sup>ST</sup> JULY 2006**

### **1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements:-

(a) **Basis of preparation** - The financial statements are prepared in accordance with applicable accounting standards on a going concern basis and under the historical cost convention. The going concern basis is considered appropriate by the Directors despite the shareholder's deficit because of the support of the Ultimate Parent Undertaking.

(b) **Investments** – Investments are stated at cost.

### **2. PROFIT (LOSS) BEFORE TAXATION**

	2006 £	2005 £
The profit (loss) before taxation is stated after charging:-		
Auditors' remuneration	£3,300	£3,250
	<hr/>	<hr/>
Auditors' remuneration – non-audit work	£700	£650
	<hr/>	<hr/>

### **3. DIRECTORS' EMOLUMENTS**

Directors' emoluments	£Nil	£Nil
	<hr/>	<hr/>

### **4. EMPLOYEES**

During the year, there were no employees (2005: Nil). The University of Southampton Group charged £683 (2005: £670) and Southampton Innovations Limited charged £16,384 (2005:- £3,018) payable in respect of administrative assistance provided.

Salaries	£Nil	£Nil
	<hr/>	<hr/>

### **5. TAXATION**

There is no charge to corporation tax for the year (2005: £Nil)



**SOUTHAMPTON ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS – 31<sup>ST</sup> JULY 2006 (continued)**

<b>6. FIXED ASSET INVESTMENTS</b>	<b>£</b>
At 1 <sup>st</sup> August 2005	4,399
Additions at cost	420
	<hr/>
As at 31 <sup>st</sup> July 2006	£4,819
	<hr/>

The above trade investments are all registered in England and Wales and operate wholly from the United Kingdom.

	Proportion of voting rights and share capital held		Business
	excluding future options	including future options	
Offshore Hydrocarbon Mapping Limited (financial year end 31 <sup>st</sup> August)	12.95%	12.10%	Offshore oil surveying
Capsant Neurotechnologies Limited (31 <sup>st</sup> December)	15.97%	21.22%	Neurological protection
Activotec SPP Limited (31 <sup>st</sup> December)	18.76%	18.76%	Synthetic peptides
iQur Limited (31 <sup>st</sup> December)	17.11%	14.74%	Hepatitis
Nanotecture Limited (31 <sup>st</sup> March)	13.65%	12.30%	Nanotechnology
SynAIRgen Limited (30 <sup>th</sup> June)	16.60%	16.60%	Respiratory disorders
Ilika Limited (30 <sup>th</sup> April)	19.26%	29.95%	Combinatorial chemistry
Shellform Technical Limited (31 <sup>st</sup> July)	2.00%	2.00%	Engineering
Perpetuum Limited (31 <sup>st</sup> December)	19.14%	16.08%	Harvesting power
Karus Therapeutics Limited (30 <sup>th</sup> June)	19.96%	37.14%	Peptides
Symetrica Limited	7.27%	7.27%	Detection
Acsian Limited	6.28%	9.88%	Critical path software

Initially, when setting up Companies invested in prior to further external venture capital funding, and to ensure adequate working capital, the Company's proportion of voting rights and share capital held sometimes exceeds 20%. However, the results of such investments, and also the results of the other investments above under 20% have not been consolidated in the accounts of the Company because (a) the Company's policy is only to take up future options when further rounds of funding dilute the Company's proportion to less than 20% of each investment including any options taken up, and (b) the Boards of the above investments are also fully independent of the University of Southampton, the Company's Ultimate Holding Company.

**7. DEBTORS**

	2006 £	2005 £
Trade Debtors	4,730	-
Amounts owing by group undertakings	280	285
VAT	-	104
Other debtors	90	90
	<hr/>	<hr/>
	£5,100	£479
	<hr/>	<hr/>

# SOUTHAMPTON ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS – 31<sup>ST</sup> JULY 2006 (continued)

### 8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Amounts owing to group undertakings	22,215	516,988
VAT	42	-
Other creditors and accruals	3,919	3,900
	<hr/>	<hr/>
	£26,176	£520,888
	<hr/>	<hr/>

### 9. CALLED-UP SHARE CAPITAL

	2006 £	2005 £
<i>Authorised:-</i>		
'A' Ordinary shares of £1	800	800
'B' Ordinary shares of £1	200	200
	<hr/>	<hr/>
	£1,000	£1,000
	<hr/>	<hr/>
<i>Allotted and called up:-</i>		
'A' Ordinary shares of £1	80	80
'B' Ordinary shares of £1	20	20
	<hr/>	<hr/>
	£100	£100
	<hr/>	<hr/>

The 'A' and 'B' Ordinary shares rank *pari passu* in all respects except:-

- Income – the 'B' shareholders shall not be entitled to any dividend or distribution which would otherwise be payable, or other distributable profits which have arisen in the Company or any asset of the Company, to the extent that the same forms part of, or is made out of, the 'A' Fund, and such dividend or profits may only be paid to the holders of the 'A' shares.
- Capital – on a winding up, reconstruction or other occasion on which there is any return or repayment of capital, including distributions *in specie* and including any such distribution as may be made by a liquidator under the Insolvency Act 1986, the holders of the 'A' shares shall be exclusively entitled to have distributed to them, or their nominees, either all the 'A' Fund or all the consideration (whether paid in cash, loan notes or securities) paid or payable by purchasers to the Company in respect of the 'A' Fund or, in the case of a transfer or sale of any part of the 'A' Fund where the Insolvency Act 1986 applies, such securities (whether shares, loan notes or debentures) or other consideration as may be due to the Company or the liquidator thereof in consideration of the transferor or sale of the 'A' Fund.

Subject to the above, in a winding up of the Company, the surplus assets shall be divided amongst the Members *pari passu*.

## **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

### **NOTES TO THE ACCOUNTS – 31<sup>ST</sup> JULY 2006 (continued)**

#### **10. ULTIMATE PARENT UNDERTAKING**

The Company's immediate parent undertaking is University of Southampton Holdings Limited, which holds 80% of the Company through ownership of all the issued "A" Ordinary Shares, and is registered in England.

The Company's ultimate parent undertaking is the University of Southampton, a body corporate incorporated by Royal Charter in England, which is the smallest and largest group for which group financial statements are prepared.

The group accounts of the University of Southampton and its subsidiary undertakings are available to the public and may be obtained from the University of Southampton, Highfield, Southampton, SO17 1BJ.

#### **11. CASH FLOW STATEMENT**

The financial statements of the University of Southampton for the year ended 31<sup>st</sup> July 2006 contain a consolidated statement of cash flows. The Company has taken advantage of the exemption granted by Financial Reporting Standard Number 1 whereby it is not required to publish its own cash flow statement.

#### **12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2006 £	2005 £
Profit (loss) for the year and addition to shareholders' funds	(4,781)	-
Opening shareholders' funds (deficit)	146	146
Closing shareholders' (deficit) funds	£(4,635)	£146

# **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

## **NOTES TO THE ACCOUNTS – 31<sup>ST</sup> JULY 2006 (continued)**

### **13. RELATED PARTY TRANSACTIONS**

During the year, the Company was charged by related parties as follows:-

	2006 £	2005 £
Southampton Innovations Limited (administration)	16,384	3,018
University of Southampton (administration)	683	670
	<hr/>	<hr/>
	£17,067	£3,688
	<hr/>	<hr/>

### **14. NET SURPLUS ON SALE OF INVESTMENT**

	2006 £	2005 £
Proceeds on sale of investment	-	520,000
Stamp duty and brokerage	-	(23,400)
	<hr/>	<hr/>
Net proceeds	-	496,600
Book cost	-	(4)
	<hr/>	<hr/>
Surplus	£-	£496,596
	<hr/>	<hr/>