

SOUTHAMPTON ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31ST JULY 2007

Registered Number 4367489

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SOUTHAMPTON ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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SOUTHAMPTON ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST JULY 2007

The Directors present their report and financial statements of the Company for the year ended 31st July 2007

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 £(7,701) (2006 - £(4,871)), and cumulative profit and loss account deficit (2006 - deficit) was £(12,436) (2006 - £(4,735))

During the year there were no new investments (2006 - 2) but in return for the write-off of £180,766 debts due to the University of Southampton from one company invested in, further shares were taken up

Using British Venture Capital Association (BVCA) rules, at 31st July 2007, excluding share options (see note 6), the Company's investments were valued at £22,480,846 (2006 - £15,733,157), largely through a marked increase in the share value of an AIM-listed investment and a markedly higher share price on a recent fundraising of another investment. It should be noted that BVCA valuations for unquoted shares are indicative based upon the purchase price per share at the latest fundraising round as adjusted for subsequent events, and that this price may not be sustained in future funding rounds

DIRECTORS AND THEIR 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 (resigned 17th April 2007)
Mr R Marsden
Prof P A Nelson
Mr D R Norwood (resigned 18th July 2007)
Prof D N Payne
Dr T Raven
Mr N J Squibb
Prof W Wakeham
Mr A J Walker

None of the above had any beneficial interest in the shares of the Company, or other group companies

SOUTHAMPTON ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT (continued)

POST-BALANCE SHEET EVENTS

The BVCA valuations for the Company's two quoted investments are as at 31st July 2007. Since that date the Company disposed of 19.85% of its holding in Offshore Hydrocarbon Mapping (OHM) plc for consideration of approximately £1.8 million. This reduces the Company's holding to 7.22% of the ordinary share capital of OHM plc.

As a result of this transaction, the BVCA valuations of the Company's portfolio of investments at the date of signing of the accounts is £20,712,506.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year that 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 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 AUDITOR

- (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- 23 JANUARY 2008



Mr D C Murray
Company Secretary

University of Southampton
Highfield
Southampton
SO17 1BJ

SOUTHAMPTON ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOUTHAMPTON ASSET MANAGEMENT LIMITED

We have audited the financial statements of Southampton Asset Management Limited for the year ended 31st July 2007 which comprise the profit and loss account, the balance sheet and related notes. 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 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 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 (UK 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 Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK 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.

SOUTHAMPTON ASSET MANAGEMENT LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SOUTHAMPTON ASSET MANAGEMENT LIMITED (continued)**

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 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Mazars LLP

MAZARS LLP

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

8 New Fields
2 Stinsford Road
Poole
Dorset
BH17 0NF

23 January 2008

SOUTHAMPTON ASSET MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST JULY 2007

	Note	2007 £	2006 £
TURNOVER		12,000	-
Cost of sales		(7,033)	-
GROSS PROFIT		4,967	-
Administrative expenses		(12,945)	(19,936)
OPERATING LOSS	2	(7,978)	(19,936)
Interest receivable		277	15,155
LOSS FOR THE FINANCIAL YEAR BEFORE GIFT AID		(7,701)	(4,781)
Transferred to the University of Southampton by gift aid		-	-
LOSS BEFORE TAXATION		(7,701)	(4,781)
Taxation	5	-	-
LOSS AFTER TAXATION AND RETAINED LOSS FOR THE YEAR		(7,701)	(4,781)
ACCUMULATED DEFICIT BROUGHT FORWARD		(4,735)	46
ACCUMULATED DEFICIT CARRIED FORWARD		(12,436)	(4,735)

All activities of the Company are continuing operations

The Company had no recognised gains or losses other than those above

The notes on pages 7 to 10 form part of these financial statements

SOUTHAMPTON ASSET MANAGEMENT LIMITED

BALANCE SHEET AS AT 31ST JULY 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	1,6	185,744	4,819
CURRENT ASSETS			
Debtors	7	1,078	5,100
Cash at bank and in hand		11,538	11,622
		12,616	16,722
CREDITORS			
Amounts falling due within one year	8	(210,696)	(26,176)
NET CURRENT LIABILITIES		(198,080)	(9,454)
TOTAL ASSETS LESS CURRENT LIABILITIES		(12,336)	(4,635)
CAPITAL AND RESERVES			
Called-up share capital	9	100	100
Profit and loss account		(12,436)	(4,735)
SHAREHOLDER'S DEFICIT	12	(12,336)	(4,635)

These financial statements were approved by the Board of Directors on 23 January 2008



Dr T Raven
Director

The notes on pages 7 to 10 form part of these financial statements

SOUTHAMPTON ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JULY 2007

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

These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards on a going concern basis and under 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

(c) Turnover

Turnover, which is net of VAT, all of which arises in the UK, reflects administrative work for a third party

2 PROFIT (LOSS) BEFORE TAXATION

	2007 £	2006 £
The (loss) before taxation is stated after charging		
Auditors' remuneration for audit services	3,250	3,300
Auditors' remuneration for non-audit services - taxation	650	700

3 DIRECTORS' EMOLUMENTS

During the year the Directors received no emoluments for their services (2006 - £ nil)

4 EMPLOYEES

There were no employees during the year (2006 - none). The University of Southampton charged £710 (2006 - £683), The University of Southampton Science Park Limited charged £2,033 (2006 - £Nil) and Southampton Innovations Limited charged £Nil (2006 - £16,384) in respect of administrative assistance provided

5 TAXATION

There is no charge to corporation tax for the year (2006 - £nil)

SOUTHAMPTON ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31ST JULY 2007 (continued)

6 FIXED ASSET INVESTMENTS

	£
At 1st August 2006	4,819
Additions in return for write-off of debts to University of Southampton	180,766
Additions at cost	159
	<hr/>
As at 31st July 2007	185,744
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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 excluding future options	including future options	Business
Offshore Hydrocarbon Mapping plc (financial year end 31st August)	12 33%	11 34%	Offshore oil surveying
Capsant Neurotechnologies Limited (31st December)	3 68%	4 59%	Neurological protection
Activotec SPP Limited (31st December)	20 39%	24 14%	Synthetic peptides
Qur Limited (31st December)	15 67%	12 81%	Hepatitis
Nanotecture Limited (31st March)	13 65%	12 39%	Nanotechnology
SynAIRgen Limited (30th June)	16 60%	14 95%	Respiratory disorders
Ilika Limited (30th April)	18 37%	29 52%	Combinational chemistry
Shellform Technical Limited (31st July)	2 00%	2 00%	Engineering
Perpetuum Limited (31st December)	19 14%	16 08%	Harvesting power
Karus Therapeutics Limited (30th June)	9 45%	18 61%	Peptides
Symetrix Limited	3 78%	3 54%	Detection
Acsian Limited	6 28%	4 50%	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 over 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

	2007 £	2006 £
Trade debtors	1,000	4,730
Amounts owing by group undertakings	-	280
VAT	78	-
Other debtors	-	90
	<hr/>	<hr/>
	1,078	5,100
	<hr/>	<hr/>

SOUTHAMPTON ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31ST JULY 2007 (continued)

8 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Amounts owed to group undertakings	206,796	22,215
VAT	-	42
Other creditors and accruals	3,900	3,919
	<hr/>	<hr/>
	210,696	26,176
	<hr/>	<hr/>

9 CALLED-UP SHARE CAPITAL

	2007 £	2006 £
Authorised -		
'A' Ordinary shares of £1	800	800
'B' Ordinary shares of £1	200	200
	<hr/>	<hr/>
	1,000	1,000
	<hr/>	<hr/>
Allotted and called up -		
'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 -

(a) 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 'A' shares

(b) 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 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 transfer or sale of the 'A' Fund

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

SOUTHAMPTON ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31ST JULY 2007 (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 July 2007 contain a consolidated statement of cash flows. The Company has taken advantage of the exemption granted by Financial Reporting Standard ("FRS") Number 1 whereby it is not required to publish its own cash flow statement

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2007 £	2006 £
(Loss) for the year and reduction in shareholders' funds	(7,701)	(4,781)
Opening shareholders' funds (deficit)	(4,635)	146
	<hr/>	<hr/>
Closing shareholders' funds (deficit)	(12,336)	(4,635)
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13 RELATED PARTY TRANSACTIONS

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

	2007 £	2006 £
Southampton Innovations Limited (administration)	-	16,384
The University of Southampton Science Park Limited (administration)	2,033	-
University of Southampton (administration)	710	683
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