

SOUTHAMPTON ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31ST JULY 2009

Registered Number 4367489



SOUTHAMPTON ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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SOUTHAMPTON ASSET MANAGEMENT LIMITED

Registered Number 4367489

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST JULY 2009

The Directors present their report and financial statements of the Company for the year ended 31st July 2009

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 £8,191 (2008 - £(1,815) , and cumulative profit and loss account deficit (2008 - deficit) was £22,442 (2008 - £(14,251)

During the year there were new investments at a total cost of £190,951 (2008 - £255)

Using British Venture Capital Association (BVCA) rules, at 31st July 2009, excluding share options (see note 6), the Company's investments were valued at £11,973,187 (2008 - £14,461,406) This decrease is mainly due to the decline in valuation of our AIM-listed investments 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)
Mr M J Ace
Prof P N Bartlett
Mr P Brais
Mr R J Davies
Dr J S Fox (Resigned 19th November 2009)
Mr R Marsden
Prof P A Nelson
Prof R Oreffo
Prof D N Payne
Mr G Purdy
Prof S M Spearing
Dr A Raven
Mr N J Squibb
Prof W Wakeham (Resigned 16th September 2009)
Mr A J Walker (Resigned 16th September 2009)

SOUTHAMPTON ASSET MANAGEMENT LIMITED

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DIRECTORS' REPORT (continued)

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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

The Directors prepared this report in accordance with the provisions of section 415A of the

This report was approved by the Board of Directors on 5 February 2010



Mr Gordon Randell
Company Secretary

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 July 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SOUTHAMPTON ASSET MANAGEMENT LIMITED

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Mazars LLP

Mazars LLP, Chartered Accountants (Statutory auditor)
Lesley Fox (Senior statutory auditor)

8 New Fields
2 Stinsford Road
Poole
Dorset
BH17 0NF

Date *15 February 2010*

SOUTHAMPTON ASSET MANAGEMENT LIMITED

Registered Number 4367489

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST JULY 2009

	Note	2009 £	2008 £
TURNOVER	1(c)	-	2,500
Cost of sales		-	(1,556)
GROSS PROFIT		-	944
Administrative expenses		(8,281)	(7,952)
OPERATING LOSS	2	(8,281)	(7,008)
Profit on disposal of investment		-	1,854,034
Interest receivable		90	5,214
PROFIT / (LOSS) FOR THE FINANCIAL YEAR BEFORE GIFT AID		(8,191)	1,852,240
Transferred to the University of Southampton by gift aid		-	(1,854,055)
LOSS BEFORE TAXATION		(8,191)	(1,815)
Taxation	5	-	-
LOSS AFTER TAXATION AND RETAINED LOSS FOR THE YEAR		(8,191)	(1,815)
ACCUMULATED DEFICIT BROUGHT FORWARD		(14,251)	(12,436)
ACCUMULATED DEFICIT CARRIED FORWARD		(22,442)	(14,251)

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

Registered Number 4367489

BALANCE SHEET AS AT 31ST JULY 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Investments	1(b),6	376,927	185,976
CURRENT ASSETS			
Cash at bank and in hand		4,473	12,033
		4,473	12,033
CREDITORS			
Amounts falling due within one year	7	(403,742)	(212,160)
NET CURRENT LIABILITIES		(399,269)	(200,127)
TOTAL ASSETS LESS CURRENT LIABILITIES		(22,342)	(14,151)
CAPITAL AND RESERVES			
Called-up share capital	8	100	100
Profit and loss account		(22,442)	(14,251)
SHAREHOLDER'S DEFICIT	11	(22,342)	(14,151)

These financial statements were approved by the Board of Directors on 5 February 2010

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 2009

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

	2009 £	2008 £
The (loss) before taxation is stated after		
Auditors' remuneration for audit services	3,853	3,936
Auditors' remuneration for non-audit services - taxation	747	764

3 DIRECTORS' EMOLUMENTS

During the year the Directors received no emoluments for their services (2008 - £ nil)

4. EMPLOYEES

There were no employees during the year (2008 - none). The University of Southampton charged £3,000 (2008 - £1,810) in respect of administrative assistance provided.

5. TAXATION

	2009 £	2008 £
Current tax charge	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(8,191)	(1,815)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28%/30%	(2,294)	(545)
Losses surrendered to group	2,294	545
Current tax charge	-	-

SOUTHAMPTON ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31ST JULY 2009 (continued)

6 FIXED ASSET INVESTMENTS

£

Cost -	
At 1st August 2008	185,976
Additions	190,951
Disposals	-
At 31st July 2009	376,927
Impairment -	
At 1st August 2008	-
Impairment	-
Reversal of impairment	-
At 31st July 2009	-
Net book value -	
At 31st July 2009	376,927
At 31st July 2008	185,976

	Proportion of voting rights and share capital held		Financial Year End	Business
	Excluding future options	Including future options		
Activotec SPP Ltd	20.83%	18.60%	31st December	Synthetic peptides
Capsant Neurotechnologies Ltd	3.07%	2.60%	31st December	Neurological protection
Covesion Ltd	13.70%	11.62%	31st August	engineering
Iedezine Ltd	1.85%	1.80%	31st December	Engineering design software service
Ilika Technologies Ltd	14.00%	10.15%	30th April	Combinational chemistry
iQur Ltd	15.44%	12.72%	31st March	Hepatitis
Karus Therapeutics Ltd	15.72%	14.48%	30th June	Cancer & inflammatory disorders
Nanotecture Group plc	13.65%	13.06%	31st December	Nanotechnology
Nandmone Ltd	66.67%	66.67%	31st July	Dormant - not commenced trading
Offshore Hydrocarbon Mapping plc	7.19%	6.75%	31st August	Offshore oil surveying
Perpetuum Ltd	11.12%	9.45%	31st December	Harvesting power
Plexus Planning Ltd	5.43%	4.87%	31st December	Critical path software
Provenance Systems Ltd	58.40%	58.40%	31st July	Dormant - not commenced trading
Southampton Uni New Company Ltd	100.00%	100.00%	31st July	Dormant - not commenced trading
Symetnca Ltd	3.78%	3.58%	30th September	Radiation detection
Synairgen plc	6.03%	5.80%	30th June	Respiratory disorders

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.

SOUTHAMPTON ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31ST JULY 2009 (continued)

7 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Amounts owed to group undertakings	399,070	206,702
Other creditors and accruals	4,672	5,458
	<hr/> 403,742	<hr/> 212,160

8. CALLED-UP SHARE CAPITAL

	2009 £	2008 £
Authorised -		
'A' Ordinary shares of £1	800	800
'B' Ordinary shares of £1	200	200
	<hr/> 1,000	<hr/> 1,000
Allotted and called up -		
'A' Ordinary shares of £1	80	80
'B' Ordinary shares of £1	20	20
	<hr/> 100	<hr/> 100

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

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 2009 (continued)

9 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

10. CASH FLOW STATEMENT

The financial statements of the University of Southampton for the year ended 31st July 2009 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

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2009 £	2008 £
Loss for the year and reduction in shareholders' funds	(8,191)	(1,815)
Opening shareholders' funds (deficit)	(14,151)	(12,336)
	<hr/>	<hr/>
Closing shareholders' funds (deficit)	(22,342)	(14,151)

12 RELATED PARTY TRANSACTIONS

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

	2009 £	2008 £
The University of Southampton Science Park Limited (administration)	-	(687)
University of Southampton (administration)	3,000	2,962
Nosin Limited (formerly Innos Limited)	-	500

The credit relating to the University of Southampton Science Park Ltd is in respect of a previous years overcharge

At the balance sheet date the amount owed to related parties was as follows -

	2009 £	2008 £
The University of Southampton Science Park	1,621	1,621
University of Southampton	380,800	188,432
Southampton Innovations Limited	16,649	16,649
Nosin Limited (formerly Innos Limited)	-	-