

SOUTHAMPTON ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31ST JULY 2017

Registered Number: 4367489

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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 2017

The Directors present their report and financial statements of the Company for the year ended 31st July 2017.

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 £1,082,547 (2016: £336,731), and cumulative profit and loss account surplus was £804,388 (2016: £1,886,935).

During the year there were no new investments (2016:- no new investments)

Using British Venture Capital Association (BVCA) rules, at 31st July 2017, excluding share options (see note 6), the Company's unquoted investments were valued at £1,718,118 (2016: £1,875,357). 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 D L Spalinger	(Chairman)
Ms S C Pook	
Mr Ian Derek Dunn	Appointed 24th February 2017

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

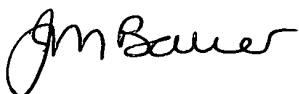
(a) So far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware, and

(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 Companies Act 2006 relating to small companies.

These financial statements have been prepared under the special provisions of the Companies Act 2016 relating to small companies.

This report was approved by the Board of Directors on 23rd November 2017.



J M Baker
Company Secretary

University of Southampton
Highfield
Southampton
SO17 1BJ

SOUTHAMPTON ASSET MANAGEMENT LIMITED

Registered Number: 4367489

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SOUTHAMPTON ASSET MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Southampton Asset Management Limited (the 'company') for the year ended 31 July 2017 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and the 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 United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance 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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

SOUTHAMPTON ASSET MANAGEMENT LIMITED

Registered Number: 4367489

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SOUTHAMPTON ASSET MANAGEMENT LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

SOUTHAMPTON ASSET MANAGEMENT LIMITED

Registered Number: 4367489

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

Responsibilities of Directors

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, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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.

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

Signed:



Name: Richard Bott (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

70 Victoria Street, Bristol, BS1 6DP

Date: 4/12/17

SOUTHAMPTON ASSET MANAGEMENT LIMITED

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INCOME STATEMENT FOR THE YEAR ENDED 31ST JULY 2017

	Note	2017 £	2016 £
TURNOVER		-	-
Profit on disposal of investment		810	-
Administrative expenses		(9,920)	(11,277)
OPERATING LOSS	3	(9,110)	(11,277)
Impairment of investment		-	(133,855)
Interest receivable and similar income		151	1,184
Unrealised Gain/(Loss) on Continuing Investments at Fair Value		(1,293,480)	(330,489)
LOSS ON ORDINARY ACTIVITIES BEFORE GIFT AID		(1,302,439)	(474,437)
Transferred to the University of Southampton by gift aid		-	-
		(1,302,439)	(474,437)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			
Taxation	6	219,892	137,706
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(1,082,547)	(336,731)
ACCUMULATED SURPLUS BROUGHT FORWARD		1,886,935	2,223,666
ACCUMULATED SURPLUS CARRIED FORWARD		804,388	1,886,935

All activities of the Company are continuing operations.

The notes on pages 9 to 13 form part of these financial statements.

SOUTHAMPTON ASSET MANAGEMENT LIMITED

Registered Number: 4367489

STATEMENT OF FINANCIAL POSITION AS AT 31ST JULY 2017

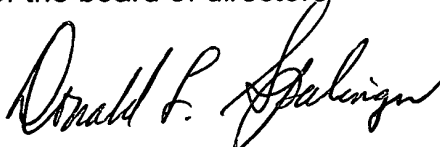
	Note	2017 £	2016 £
NON-CURRENT ASSETS			
Investments	2(c),7	1,231,458	2,524,938
CURRENT ASSETS			
Cash and cash equivalents		215,052	223,880
		215,052	223,880
CURRENT LIABILITIES: Amounts falling due within one year	8	(456,138)	(456,007)
NET CURRENT ASSETS/(LIABILITIES)		(241,086)	(232,127)
TOTAL ASSETS LESS CURRENT LIABILITIES		990,372	2,292,811
PROVISIONS FOR LIABILITIES			
Taxation, including deferred taxation	9	(185,884)	(405,776)
NET ASSETS		804,488	1,887,035
CAPITAL AND RESERVES			
Called-up share capital	10	100	100
Retained Earnings		(103,171)	(94,212)
Non-distributable reserve		907,559	1,981,147
SHAREHOLDER'S FUNDS		804,488	1,887,035

These financial statements have been prepared under the special provisions of the Companies Act 2016 relating to small companies.

These financial statements were approved and authorised for issue by the Board of Directors on 23rd November 2017.

Signed on behalf of the board of directors

D L Spalinger
Director



The notes on pages 9 to 13 form part of these financial statements.

SOUTHAMPTON ASSET MANAGEMENT LIMITED

Registered Number: 4367489

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST JULY 2017

	Called-up share capital	Retained earnings	Non- distributable reserves	Total Equity
Balance at 1 August 2016	100	(94,212)	1,981,147	1,887,035
Fair value of investments	-	-	(1,293,480)	(1,293,480)
Deferred tax	-	-	219,892	219,892
Profit/(loss) for the year	-	(8,959)	-	(8,959)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July 2017	100	(103,171)	907,559	804,488
	<hr/>	<hr/>	<hr/>	<hr/>

SOUTHAMPTON ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JULY 2017

1. STATUTORY INFORMATION

Southampton Assets Management Limited is a company registered in England and Wales, registration number 4367489. The registered office is Finance Department Building 37, University of Southampton, Southampton, Hampshire, SO17 1BJ.

2. 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) Key accounting judgements and estimations

The fair values of quoted equity instruments in active markets are based on current prices. If the market for a quoted equity instrument, and for unquoted equity instruments, is not active then these are valued at cost less any known impairment.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(b) 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 financial statements are presented in Sterling (£).

(c) Investments

Investments comprise investments in quoted equity instruments and unquoted equity instruments. Quoted equity instruments are measured at fair value and changes in fair value are recognised in profit or loss. Our unquoted equity instruments cannot be measured reliably, and are carried at cost less impairment.

(d) Taxation

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

SOUTHAMPTON ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31ST JULY 2017 (continued)

3. LOSS BEFORE TAXATION

	2017 £	2016 £
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The profit/(loss) before taxation is stated after charging:

Auditors' remuneration for audit services	4,680	4,560
Auditors' remuneration for non-audit services - taxation	-	1,080
Changes in fair value of investments	1,293,480	330,489

4. DIRECTORS' EMOLUMENTS

During the year the Directors received no emoluments for their services (2016:- £ nil)

5. EMPLOYEES

There were no employees during the year (2016:- none). The University of Southampton charged £3,850 (2016:- £5,000) in respect of administrative assistance provided.

6. TAXATION

	2017 £	2016 £
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Current tax charge	-	-
Deferred tax:		
Origination and reversal of timing differences	(254,374)	(137,706)
Effect of changes in tax rates	34,482	
Total Deferred Tax	<u>(219,892)</u>	<u>(137,706)</u>
Total tax per income statement	<u>(219,892)</u>	<u>(137,706)</u>

The charge for the year can be reconciled to the profit per the income statement as follows:

Loss on ordinary activities before taxation	(1,302,439)	(474,437)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.67%/20%	(256,134)	(94,887)
Effects of:		
Effects of group relief/other reliefs	1,779	-
Losses	-	94,887
Gains/rollover relief etc	(19)	
Tax rate changes	34,482	
Tax credit for the period	<u>(219,892)</u>	<u>-</u>

SOUTHAMPTON ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31ST JULY 2017 (continued)

7. FIXED ASSET INVESTMENTS

	Quoted £	Unquoted £	Total £
FAIR VALUE/COST:-			
At 1st August 2016	2,387,696	373,240	2,760,936
Disposals	-	(87)	(87)
At 31st July 2017	<u>2,387,696</u>	<u>373,153</u>	<u>2,760,849</u>
IMPAIRMENT:-			
At 1st August 2016	-	235,998	235,998
Change in Fair Value/Impairment	1,293,480	(87)	1,293,393
At 31st July 2017	<u>1,293,480</u>	<u>235,911</u>	<u>1,529,391</u>
NET BOOK VALUE:-			
At 31st July 2017	<u>1,094,216</u>	<u>137,242</u>	<u>1,231,458</u>
At 31st July 2016	<u>2,387,696</u>	<u>137,242</u>	<u>2,524,938</u>

	Proportion of voting rights and share capital held:		Financial Year End	Business
	Excluding future options	Including future options		
Arkivum Ltd	6.20%	5.60%	31st December	Long term data archiving
Capsant				
Neurotechnologies Ltd	3.07%	2.73%	31st December	Neurological protection
Covesion Ltd	11.62%	10.75%	31st December	R&D on natural science & engineering
Ilika plc	3.00%	2.76%	30th April	Combinatorial chemistry
iQur Ltd	1.57%	1.51%	31st March	Hepatitis
Karus Therapeutics Ltd	0.67%	0.62%	31st March	Cancer & inflammatory
Perpetuum Ltd	3.54%	3.01%	31st December	Harvesting power
Boxarr Ltd	2.30%	1.91%	31st December	Critical path software
Stadium Ventures	0.00%	0.00%	31st July	Holding Company
Symetrica Ltd	1.68%	1.55%	30th September	Radiation detection
Synairgen plc	3.94%	3.71%	31st December	Respiratory disorders

All companies are incorporated in the United Kingdom.

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 2017 (continued)

8. LIABILITIES - AMOUNTS FALLING DUE WITHIN ONE YEAR	2017 £	2016 £
Amounts owed to group undertakings	450,336	450,336
Trade and other payables/Other creditors and accruals	5,802	5,671
	<u>456,138</u>	<u>456,007</u>
9. PROVISIONS FOR LIABILITIES	2017 £	2016 £
Deferred tax liability as at 1st August	405,776	543,483
Charge/(reversal) for the year	(219,892)	(137,707)
Deferred tax liability as at 31st July	<u>185,884</u>	<u>405,776</u>
10. CALLED-UP SHARE CAPITAL	2017 £	2016 £
Authorised:-		
'A' Ordinary shares of £1	800	800
'B' Ordinary shares of £1	200	200
	<u>1,000</u>	<u>1,000</u>
Allotted and called up:-		
'A' Ordinary shares of £1	80	80
'B' Ordinary shares of £1	20	20
	<u>100</u>	<u>100</u>

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 2017 (continued)

11. ULTIMATE PARENT UNDERTAKING

The Company's 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,

12. CASH FLOW STATEMENT

The financial statements of the University of Southampton for the year ended 31st July 2017 contain a consolidated statement of cash flows. The Company has been given permission by its shareholders to take advantage of the exemption granted by Financial Reporting Standard 102 Section 1.12 (b) whereby it is not required to publish its own cash flow statement.

13. RELATED PARTY TRANSACTIONS

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

	2017	2016
	£	£
University of Southampton	3,850	5,465

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

	2017	2016
	£	£
The University of Southampton Science Park	1,621	1,621
University of Southampton	450,336	450,336