

**SOUTHAMPTON ASSET MANAGEMENT LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31<sup>ST</sup> JULY 2003**

Registered Number 4367489



# **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

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

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## **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2003**

The Directors present their report and the audited financial statements of the Company for the year ended 31<sup>st</sup> July 2003.

### **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**

During the year, in return for intellectual property rights and cash, the Company received an allocation of shares in four new investments (2002:- one), and, through a share division, also took up a further allocation of shares in its original investment made in 2002. Using British Venture Capital Association (BVCA) rules, at 31<sup>st</sup> July 2003, excluding share options (see note 6), these were valued at £2,162,502 (2002:- £167,500). It should be noted that BVCA valuations are indicative based upon the purchase price per share at the latest funding round, and that this price may not be sustained in future funding rounds.

The Company's loss for the year, and cumulative profit and loss account deficit, was £(7,848) (Period 5<sup>th</sup> February 2002 (date of incorporation) to 31<sup>st</sup> July 2002:- £Nil).

### **DIRECTORS AND DIRECTORS' INTERESTS**

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

Dr. B. G. Smith (Chairman)(resigned 16<sup>th</sup> September 2003)  
Prof. P. N. Bartlett (appointed 10<sup>th</sup> September 2002)  
Prof. R. S. J. Briggs (appointed 10<sup>th</sup> September 2002)  
Mr. R. J. Davies  
Sir John W. Fairclough (died 3<sup>rd</sup> June 2003)  
Dr. J. S. Fox  
Prof. P. J. Gregson (appointed 10<sup>th</sup> September 2002)  
Prof. J. K. Hammond (appointed 10<sup>th</sup> September 2002)  
Dr. T. Raven  
Mr. N. J. Squibb  
Dr. C. J. Wright

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 2003 (Continued)**

#### **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.

This report was approved by the Board of Directors on

17 NOV 2003



J. R. Brooks,  
Secretary,

17 NOV 2003

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 on pages 4 to 9. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 6.

This report is made solely to the Company's Members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Members those matters that 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.

### 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.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

### Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 of the state of the Company's affairs as at 31st July 2003 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**MAZARS** *Mazars*  
**CHARTERED ACCOUNTANTS**  
and Registered Auditors

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

17 November 2003

# **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2003**

	Note	2003 £	Period 5 <sup>th</sup> February to 31 <sup>st</sup> July 2002 £
<b>TURNOVER</b>		-	-
Administrative expenses		(7,848)	-
		<hr/>	<hr/>
<b>OPERATING (LOSS) AND (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX</b>	2	(7,848)	-
Taxation	5	-	-
		<hr/>	<hr/>
<b>(LOSS) AFTER TAXATION AND ACCUMULATED DEFICIT</b>	12	£(7,848)	-
		<hr/>	<hr/>

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 9 form part of these financial statements.

**SOUTHAMPTON ASSET MANAGEMENT LIMITED**

**BALANCE SHEET AS AT 31<sup>ST</sup> JULY 2003**

	Note	2003 £	2002 £
<b>FIXED ASSETS</b>			
Investments	1,6	2,439	-
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors	7	100	100
<b>CREDITORS</b>			
Amounts falling due within one year	8	(10,287)	-
		<hr/>	<hr/>
<b>NET CURRENT (LIABILITIES) ASSETS</b>		(10,187)	100
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		£(7,748)	£100
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	9	100	100
Profit and loss account		(7,848)	-
		<hr/>	<hr/>
<b>SHAREHOLDERS' (DEFICIT) FUNDS</b>	12	£(7,748)	£100
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on

17 Nov 2003

  
Dr. T. Raven, Director

The notes on pages 6 to 9 form part of these financial statements.

# **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

## **NOTES TO THE ACCOUNTS – 31<sup>st</sup> JULY 2003**

### **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 shareholders' deficit because of the support of the Ultimate Parent Undertaking.

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

### **2. (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX**

	2003 £	2002 £
The (loss) on ordinary activities before taxation is stated after charging:-		
Auditors' remuneration	£800	£-
	<hr/>	<hr/>
Auditors' remuneration – non-audit work	£800	£-
	<hr/>	<hr/>

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

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

### **4. EMPLOYEES**

During the year, there were no employees (2002: Nil). The University of Southampton Group charged £4,705 (2002: £Nil) payable in respect of administrative assistance provided.

Salaries	£Nil	£Nil
	<hr/>	<hr/>

### **5. TAXATION**

There is no charge to corporation tax for the year (2002: £nil)



# SOUTHAMPTON ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS – 31<sup>st</sup> JULY 2003

6. FIXED ASSET INVESTMENTS	£
At 31 <sup>st</sup> July 2002	-
Additions	2,439
	<hr/>
As at 31 <sup>st</sup> July 2003	£2,439
	<hr/>

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

	Proportion of voting rights and share capital held excluding      including future options      future options		Business
Active EM Limited (financial year end 31 <sup>st</sup> August)	19.95%	23.02%	Offshore oil surveying
Capsant Neurotechnologies Limited (31 <sup>st</sup> December)	22.20%	30.00%	Neurological protection
Southampton Polypeptides Limited (31 <sup>st</sup> December)	32.38%	44.06%	Synthetic peptides
HepCgen Limited (31 <sup>st</sup> December)	23.35%	34.36%	Hepatitis C testing
Nanotectures Limited (31 <sup>st</sup> March)	38.82%	50.02%	Nanotechnology

The results of the above investments have not been consolidated in the accounts of the Company because (a) statutory accounts have not yet been prepared, and consequently figures for profits for the year and totals of share capital and reserves are not available, (b) 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 (c) the Boards of the above investments are also fully independent of the University of Southampton, the Company's Ultimate Holding Company.

## 7. DEBTORS

	2003 £	2002 £
Amounts owing by group undertakings	80	80
Other debtors	20	20
	<hr/>	<hr/>
	£100	£100
	<hr/>	<hr/>

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

	2003 £	2002 £
Amounts owing to group undertakings	8,687	-
Other creditors	1,600	-
	<hr/>	<hr/>
	£10,287	£-
	<hr/>	<hr/>

# SOUTHAMPTON ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS – 31<sup>st</sup> JULY 2003 (continued)

### 9. CALLED-UP SHARE CAPITAL

	2003 £	2002 £
<i>Authorised:-</i>		
'A' Ordinary shares of £1	800	800
'B' Ordinary shares of £1	200	200
	<hr/>	<hr/>
	£1,000	£1,000
<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 transfer 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*.

### 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.

## **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

### **NOTES TO THE ACCOUNTS – 31<sup>st</sup> JULY 2003 (continued)**

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

The financial statements of the University of Southampton for the year ended 31<sup>st</sup> July 2003 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**

	2003 £	2002 £
Issue of shares	-	100
(Loss) for the year and (diminution to) shareholders' funds	(7,848)	-
Opening shareholders' funds	100	-
	<hr/>	<hr/>
Closing shareholders' (deficit) funds	£(7,748)	£100
	<hr/>	<hr/>

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

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

	2003 £	2002 £
Southampton Innovations Limited (administration)	4,543	-
Southampton Innovations Limited (cost of shares in investment)	388	-
University of Southampton (administration)	1,705	-
University of Southampton (cost of shares in investment)	2,010	-
Chilworth Science Park Limited (cost of shares in investment)	42	-
	<hr/>	<hr/>
	£8,688	£-
	<hr/>	<hr/>