

**SOUTHAMPTON ASSET MANAGEMENT LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31<sup>ST</sup> JULY 2005**

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 31<sup>ST</sup> JULY 2005**

The Directors present their report and the audited financial statements of the Company for the year ended 31<sup>st</sup> July 2005.

#### **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, SynAIRgen Limited was floated on the Alternative Investment Market (AIM). At that time, the Company held 27.21% of SynAIRgen, 40,000 shares. After a 1:100 share split this equated to 4,000,000 shares. Due to oversubscription, 400,000 shares were released at an offer price of £1.30, realising a net surplus of £496k after stamp duty and brokerage. The Company now holds 16.6% of SynAIRgen.

During the year, in return for intellectual property rights and cash, the Company received an allocation of shares in two new investments (2004:- three),.

Using British Venture Capital Association (BVCA) rules, at 31<sup>st</sup> July 2005, excluding share options (see note 6), the Company's investments were valued at £11,587,473 (2004:- £11,910,773). It should be noted that BVCA valuations for unquoted shares 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.

Since 31<sup>st</sup> July, as a result of a decision of the Patents Court (which is under appeal), the value of one quoted investment has diminished markedly, and the resultant BVCA valuation of the Company's investments at the date of signing of these accounts is in the order of £9.4m.

The Company's profit for the year was £Nil (2004:- £7,894), and cumulative profit and loss account surplus, was £46 (2004:- £46).

## **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2005 (Continued)**

#### **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  
Prof. R. S. J. Briggs (resigned 14<sup>th</sup> October 2004)  
Prof. P. J. Curran (appointed 14<sup>th</sup> October 2004, resigned 31<sup>st</sup> July 2005)  
Mr. R. J. Davies  
Dr. J. S. Fox  
Prof. J. K. Hammond (resigned 14<sup>th</sup> October 2004)  
Prof. S. T. Holgate (appointed 14<sup>th</sup> October 2004)  
Mr. R. Marsden (appointed 14<sup>th</sup> January 2005)  
Mr. D. R. Norwood  
Prof. D. N. Payne (appointed 14<sup>th</sup> October 2004)  
Dr. T. Raven  
Mr. N. J. Squibb  
Prof. W. Wakeham (appointed 26<sup>th</sup> January 2005)  
Mr. A. J. Walker (appointed 14<sup>th</sup> October 2004)

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

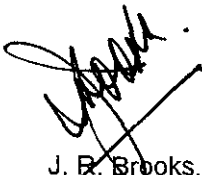
#### **DIRECTORS' RESPONSIBILITIES**

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 18<sup>th</sup> November 2005.

  
J. R. Brooks,  
Secretary,  
18<sup>th</sup> November 2005

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 10. 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 2005 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

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

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

*Mazars LLP*  
*18 November 2005*

**SOUTHAMPTON ASSET MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2005**

	Note	2005 £	2004 £
<b>TURNOVER</b>		-	-
Administrative expenses		(10,836)	(9,495)
<b>OPERATING LOSS ON ORDINARY ACTIVITIES</b>	2	(10,836)	(9,495)
Interest receivable		14,203	3,072
<b>OPERATING PROFIT (LOSS)</b>		3,367	(6,423)
Net surplus on sale of investment	14	496,596	2,736,017
<b>PROFIT BEFORE GIFT AID AND TAXATION</b>		499,963	2,729,594
Amounts payable by gift aid		(499,963)	(2,721,700)
<b>PROFIT BEFORE TAXATION</b>		-	7,894
Taxation	5	-	-
<b>PROFIT AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR</b>		-	7,894
<b>ACCUMULATED DEFICIT BROUGHT FORWARD</b>		46	(7,848)
<b>ACCUMULATED SURPLUS CARRIED FORWARD</b>		£46	£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 2005**

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	1,6	4,399	3,763
<b>CURRENT ASSETS</b>			
Debtors	7	479	223
Cash and Bank		516,156	14,260
		516,635	14,483
<b>CREDITORS</b>			
Amounts falling due within one year	8	(520,888)	(18,100)
<b>NET CURRENT (LIABILITIES)</b>			
		(4,253)	(3,617)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		£146	£146
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	9	100	100
Profit and loss account		46	46
<b>SHAREHOLDERS' FUNDS</b>			
	12	£146	£146

These financial statements were approved by the Board of Directors on 18<sup>th</sup> November 2005.

  
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 2005**

### **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.

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

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

	2005 £	2004 £
The profit (loss) before taxation is stated after charging:-		
Auditors' remuneration	£3,250	£3,500
Auditors' remuneration – non-audit work	£650	£575

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

Directors' emoluments	£Nil	£Nil
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### **4. EMPLOYEES**

During the year, there were no employees (2004: Nil). The University of Southampton Group charged £670 (2004: £650) and Southampton Innovations Limited charged £3,018 (2004:- £3,323) payable in respect of administrative assistance provided.

Salaries	£Nil	£Nil
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### **5. TAXATION**

There is no charge to corporation tax for the year (2004: £nil)



**SOUTHAMPTON ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS – 31<sup>ST</sup> JULY 2005**

<b>6. FIXED ASSET INVESTMENTS</b>	<b>£</b>
At 31 <sup>st</sup> July 2004	3,763
Additions at cost	640
Disposals at cost	(4)
	<hr/>
As at 31 <sup>st</sup> July 2005	£4,399
	<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 (formerly Active EM Limited) (financial year end 31 <sup>st</sup> August)	13.42%	13.42%	Offshore oil surveying
Capsant Neurotechnologies Limited (31 <sup>st</sup> December)	15.97%	21.22%	Neurological protection
Activotec SPP Limited (formerly Southampton Polypeptides Limited) (31 <sup>st</sup> December)	16.12%	29.86%	Synthetic peptides
iQur Limited (formerly HepCgen Limited) (31 <sup>st</sup> December)	14.32%	18.70%	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)	23.60%	34.78%	Harvesting power
Karus Therapeutics Limited (30 <sup>th</sup> June)	19.96%	37.14%	Peptides
Symetrica Limited	7.27%	7.27%	Detection

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**

	2005 £	2004 £
Amounts owing by group undertakings	285	85
Other debtors	194	138
	<hr/>	<hr/>
	£479	£223
	<hr/>	<hr/>

# SOUTHAMPTON ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS – 31<sup>ST</sup> JULY 2005 (continued)

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

	2005 £	2004 £
Amounts owing to group undertakings	516,988	14,024
Other creditors and accruals	3,900	4,076
	<hr/>	<hr/>
	£520,888	£18,100
	<hr/>	<hr/>

### 9. CALLED-UP SHARE CAPITAL

	2005 £	2004 £
<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 2005 (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 2005 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**

	2005 £	2004 £
Profit for the year and addition to shareholders' funds	-	7,894
Opening shareholders' funds (deficit)	146	(7,748)
	<hr/>	<hr/>
Closing shareholders' funds	£146	£146
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# **SOUTHAMPTON ASSET MANAGEMENT LIMITED**

## **NOTES TO THE ACCOUNTS – 31<sup>ST</sup> JULY 2005 (continued)**

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

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

	2005 £	2004 £
Southampton Innovations Limited (administration)	3,018	3,323
University of Southampton (administration)	670	650
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	£3,688	£3,973
	<hr/>	<hr/>

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

	2005 £	2004 £
Proceeds on sale of investment	520,000	2,835,294
Stamp duty and brokerage	(23,400)	(99,231)
	<hr/>	<hr/>
Net proceeds	496,600	2,736,063
Book cost	(4)	(46)
	<hr/>	<hr/>
Surplus	£496,596	£2,736,017
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