

**THE UNIVERSITY OF SURREY SEED FUND LIMITED**

**Directors' report and financial statements**

**Year ended 31 July 2004**

Registered number : 3928192



## **Directors' report and financial statements**

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## Directors' report

The directors present their annual report for the year ended 31 July 2004.

### Results and dividends

The trading loss for the period, after taxation, amounted to £96,772 (2003: profit £13,063). The directors do not recommend the payment of a dividend.

### Principal activities

The principal activity is to invest in start-up companies with innovative technology derived from University research and to promote businesses that use this technology.

### Business Review

The Board has had an active year. First stage investment in CXR Ltd, a new spin out company, was completed. As a result of a recapitalisation of CXR Ltd later in the year, the Board took the opportunity to sell this investment at cost. Additionally, the Board agreed a development loan to NTX another spin-out project. The Board has adopted an active role in monitoring and mentoring the growing portfolio of investments. As a result the Company participated in a further financing round for Cybersense Ltd and in second financing rounds for OmniPerception Ltd, Polarmetrix Ltd and Genie Healthcare Ltd achieved performance milestones and the shares have now been fully paid. The Board also agreed to a further investment of £50,000 in Genie Healthcare Ltd to be made in 2004/5.

The Board has applied their experience and contacts to help potential investees develop their strategy and business plans and where needed has authorised stimulus funding in the form of convertible loans. The Board agreed to write down the investment in IEcoS Ltd, as in the Directors' opinion the investment has suffered a permanent diminution in value.

During the year the University agreed to invest an additional £100,000 into the Fund in the form of ordinary share capital which will take place in the 2004/5 year. The University has approved a similar annual top up until the Fund becomes self sustaining.

### Directors and directors' interests

The directors who held office during the period were as follows :

Professor B Blunden  
Dr P Bailey  
Professor P Dowling (Resigned 20/01/04)  
Mrs P Drakes  
Professor B Evans

Dr B Ferrari (Appointed 20/01/04)  
Mr A Knapp (Appointed 20/01/04)  
Mr G Melly  
Mr P Norman

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company was proposed and carried at the Annual General Meeting.

By order of the board



F D Smith  
Company Secretary

Senate House  
University of Surrey  
Guildford  
Surrey GU2 7XH

Date : 15 November 2004

## **Statement of 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 those financial statements, the directors are required to :

- \* select suitable accounting policies and then 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE UNIVERSITY OF SURREY SEED FUND LIMITED**

We have audited the company's financial statements for the year ended 31 July 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 we are required to state to them in an auditors' 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 United Kingdom Law and 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 1985. 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit 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 affairs of the company as at 31 July 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

**ERNST & YOUNG LLP**  
*Registered Auditor*  
*Southampton*

Date : *15 November 2004*

**Profit and loss account**

*for the year ended 31 July 2004*

	<i>Note</i>	<b>2004</b> £	<b>2003</b> £
Income receivable		10,000	3,964
Management Expenses		(27,826)	(12,816)
<b>Operating loss</b>	<b>2</b>	<u>(17,826)</u>	<u>(8,852)</u>
Interest receivable and similar income	5	16,929	22,597
Amounts written off investments		<u>(99,999)</u>	<u>-</u>
<b>(Loss) / Profit on ordinary activities before taxation</b>		(100,896)	13,745
Taxation	6	4,124	(682)
<b>(Loss) / Profit retained for the financial year</b>		<u>(96,772)</u>	<u>13,063</u>

**Statement of Total Recognised Gains and Losses *for the year ended 31 July 2004***

There were no recognised gains or losses other than those included in the profit and loss account.

**Balance sheet**  
at 31 July 2004

	Notes	£	2004 £	£	2003 £
<b>Investments</b>	7		511,481		454,991
<b>Current assets</b>					
Debtors	8	514,783		581,005	
Cash at bank		3,582		81,809	
		<u>518,365</u>		<u>662,814</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(24,118)</u>		<u>(15,305)</u>	
Net current assets			494,247		647,509
<b>Creditors: amounts falling due after more than one year</b>	10		(250,000)		(250,000)
<b>Net assets</b>			<u>755,728</u>		<u>852,500</u>
<b>Capital and reserves</b>					
Called up share capital	11		850,000		850,000
Profit and loss account	12		(94,272)		2,500
<b>Equity Shareholders' funds</b>			<u>755,728</u>		<u>852,500</u>

These financial statements were approved by the board of directors on 15 November 2004 and were signed on its behalf by :

A. J. Knapp  
Director



**Notes***(forming part of the financial statements)***1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

***Investments***

Investments are valued at cost unless in the Directors' opinion an investment an investment has suffered a permanent diminution in value.

***Cash Flow Statement***

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**2 Operating loss**

	2004	2003
	£	£
<i>Operating loss is stated after charging :</i>		
Auditors' remuneration for audit work	<u>1,653</u>	<u>1,605</u>

**3 Remuneration of directors**

Directors fees to the value of £20,740 (2003: £8,318) were paid during the period. Under the terms of the Directors Agreement the Directors are eligible to participate in options to be granted by the Company over a percentage of each investment made during their term as Director. No pension contributions were made in respect of Directors (2003: nil). No options were granted in the year (2003: nil).

**4 Staff numbers and costs**

The company had no employees during the period.

**5 Interest receivable and similar income**

	2004	2003
	£	£
On loan to parent undertaking	<u>16,929</u>	<u>22,597</u>



**Notes** (continued)**6 Taxation**

	2004 £	2003 £
UK Corporation Tax at 19% on the loss for the year on ordinary activities	-	4,124
Prior year receivable in respect of losses	-	(3,850)
Prior year adjustment	(4,124)	408
	<u>(4,124)</u>	<u>682</u>
Profit/(Loss) on ordinary activities before tax	<u>(100,896)</u>	<u>13,745</u>
Profit/(Loss) before tax multiplied by the standard rate of corporation tax for small companies of 30%	(30,269)	4,124
Difference explained by:		
Write down in investments not deductible	30,000	-
Prior year receivable in respect of capital losses c/f	-	(3,850)
Adjustment in respect of prior periods	(4,124)	408
Available tax loss carried forward	269	-
Tax charge	<u>(4,124)</u>	<u>682</u>

**7 Investments****Cost**

At 1 August 2003	454,991
Additions	192,189
Disposals	<u>(35,700)</u>
At 31 July 2004	<u>611,480</u>

**Provisions**

At 1 August 2003	-
Provided in year	<u>99,999</u>
At 31 July 2004	<u>99,999</u>

**Net Book value**

At 31 July 2004	<b>511,481</b>
At 1 August 2003	454,991

Name	Nature of Business	Class of Share	% Held	Cost/WDV
Cybersense Biosystems Ltd	Biosensors	Ordinary	25.74	96,498
Cybersense Biosystems Ltd	Biosensors	Preference	100.00	50,000
IEcoS Ltd	Product life cycle consultancy	Ordinary	18.18	1
Omniperception Ltd	Pattern recognition	Ordinary	25.80	199,995
Polarmetrix Ltd	Optical fibre sensing	Ordinary	14.26	49,993
Polarmetrix Ltd	Optical fibre sensing	Preference	100.00	49,994
GENIE Healthcare Ltd	On-line healthcare information	Ordinary	33.00	65,000
				<u>511,481</u>

Cybersense Biosystems Ltd, IEcoS Ltd, Omniperception Ltd, Polarmetrix Ltd and GENIE Ltd are not regarded as associate undertakings as the University of Surrey Seed Fund Ltd is not in a position to exercise significant influence in the management of any company.

All of these companies are incorporated in the UK.

The Board approved on 20th September 2004 a further £50,000 investment in GENIE Healthcare Ltd to match a similar investment to be made by the University.

**Notes** *(continued)*

**8 Debtors : amounts falling due within one year**

	2004 £	2003 £
Amounts due from parent undertaking	448,408	544,030
Other debtors	66,375	36,975
	<u>514,783</u>	<u>581,005</u>

**9 Creditors : amounts falling due within one year**

	2004 £	2003 £
Amounts owed to parent undertaking	-	1,731
Corporation tax	-	4,058
Accruals and deferred income	24,118	9,516
	<u>24,118</u>	<u>15,305</u>

**10 Creditors : amounts falling due after more than one year**

	2004 £	2003 £
Interest free loan from the University	<u>250,000</u>	<u>250,000</u>

The interest free loan from the University has no associated repayment terms. However the University has confirmed that repayment will not be expected to be made within the next 12 months.

**11 Called up share capital**

	2004 £	2003 £
<i>Authorised</i>		
5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
<i>Allotted, called up and fully paid</i>		
850,000 ordinary shares of £1 each	<u>850,000</u>	<u>850,000</u>

The directors held no options to subscribe for shares in the company.

**Notes (continued)****12 Statement of movement on reserves and reconciliation of shareholders funds**

	Share capital £	Profit and loss account £	Total £
As at 31 July 2002	750,000	(10,563)	739,437
Shares issued in the year	100,000	-	100,000
Profit for the year	-	13,063	13,063
As at 31 July 2003	<u>850,000</u>	<u>2,500</u>	<u>852,500</u>
Shares issued in the year	-	-	-
Loss for the year	-	(96,772)	(96,772)
As at 31 July 2004	<u>850,000</u>	<u>(94,272)</u>	<u>755,728</u>

**13 Investment Commitments**

As at 31 July 2004 the company had commitments to invest in NTX Technologies (£67,000) and Recombinogen Limited (£90,000). These investment commitments are subject to certain contractual milestones being met. No provision has been made within the accounts as, at 31 July 2004, these milestones had not been met.

**14 Related party transactions**

As the company is a wholly owned subsidiary of the University of Surrey, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of the University of Surrey within which this company is included can be obtained from the address given in note 15.

**15 Ultimate parent undertaking**

The company is a subsidiary undertaking of the University of Surrey, England. The ultimate controlling party is the University of Surrey.

The largest group in which the results of the company are consolidated is that headed by the University of Surrey. The consolidated accounts of the University are available to the public and may be obtained from the Finance Department, University of Surrey, Guildford, Surrey, GU2 7XH. No other group accounts include the results of the company.

**16 Post Balance Sheet Events**

On the 20th September 2004, the Board also agreed to a further investment of £50,000 in Genie Healthcare Ltd, to be made in the 2004/5 financial year.

During the year the University agreed to invest an additional £100,000 into the Fund in the form of ordinary share capital which will take place in the 2004/5 year. The University has approved a similar annual top up until the Fund becomes self sustaining.

**NOTE**

**THE FOLLOWING PAGES DO NOT FORM PART  
OF THE AUDITED FINANCIAL STATEMENTS**

**Detailed profit and loss account**  
*for the year ended 31 July 2004*

	2004	2003
	£	£
Interest receivable	16,929	22,597
Other income	10,000	3,964
	<u>26,929</u>	<u>26,561</u>
Directors pay	20,740	8,318
Administrative expenses	0	1,731
Legal & professional fees	1,725	1,000
Audit and accountancy	1,653	1,605
General expenses	3,708	162
Amounts written off investments	<u>99,999</u>	<u>0</u>
	<u>(127,825)</u>	<u>(12,816)</u>
<b>(Loss) / Profit before taxation</b>	<u>(100,896)</u>	<u>13,745</u>

This statement is prepared for the information of management and does not form part of the company's financial statements.