Proximagen Group Limited

Financial Statements

For the eight month period ended 31 July 2012

Registered number: 05333020

DIRECTORS, OFFICERS AND ADVISORS TO THE COMPANY

Directors

Mark Evenstad

Tom Burke

Company Secretary

Mark Evenstad

Auditor

Ernst & Young LLP

Apex Plaza, Forbury Road

Reading RG1 1YE

Solicitors

Reed Smith

Broadgate Tower, 20 Primrose Street

London EC2A 2RS

CMS Cameron McKenna LLP

Mitre House

160 Aldersgate Street

London EC1A 4DD

Principal bankers

NatWest Commercial Banking

RBS House

Block H - Sunbury Business Centre

Brooklands Close

Sunbury on Thames TW16 7DX

The directors submit their report and the financial statements of Proximagen Group Limited (the "Company") for the eight month period ended 31 July 2012

Principal activities

The company is a holding company for a group of companies ('the Group') that carry out drug development for the treatment of neurological and inflammatory disorders Proximagen is building a pipeline of compounds to address the significant unmet medical needs of patients with neurological and inflammatory disorders through its own discovery programme for novel, low risk therapeutic candidates, and through the identification and licensing of existing drugs for new indications

Review of the business and future developments

The directors are pleased to report that during the period, the company maintained good progress on its own drug development programmes targeting neurological and inflammatory disorders

The directors are hopeful that continued investment in research and development will deliver much-needed therapies for patients with these disorders and they look forward to the future with confidence

Dividend

The directors do not recommend the payment of a dividend (year ended 30 November 2011 nil)

Directors

The following directors have held office during the period and up to the date of approval of these financial statements

Peter Allen (resigned 14 August 2012)

Michael Ashton (resigned 14 August 2012)

Jackie Hunter (resigned 14 August 2012)

Kenneth Mulvany (resigned 14 August 2012)

James Hunter (resigned 14 August 2012)

Mark Evenstad (appointed 14 August 2012)

Tom Burke (appointed 14 August 2012)

Company Secretary

James Hunter (resigned 14 August 2012)

Mark Evenstad (appointed 14 August 2012)

Qualifying third party indemnity provision is in place for the benefit of all directors of the Company

Principal risks and uncertainties

The principal risks and uncertainties that could have an adverse impact on the performance of the Group are detailed below

Clinical and regulatory risk

The safety and efficacy of Proximagen's drug development programmes will need to be demonstrated in clinical trials in order to meet the requirements of the appropriate regulatory bodies There can be no guarantee that the clinical trials will be successful or that they will not be delayed or extended Therefore there can be no guarantee that the Group will be able to obtain or maintain the necessary regulatory approvals for its drug development programmes The Group seeks to reduce this risk through thorough extensive pre-clinical testing of its drug candidates, by close consultation with key opinion leaders and regulatory advisers and by holding consultations with the appropriate regulatory bodies

Competition and intellectual property risk

Whilst the Group monitors the progress of competitive drug programmes, there can be no certainty that other companies' drugs will not limit or render obsolete the commercial value of the Group's drugs Furthermore, the Group's intellectual property rights may expire or become invalid before any commercial value is derived from them

Financial risk

With the Group's operations currently based entirely in the United Kingdom and with no debt financing currently in place, the Directors consider the Group to be exposed to limited financial risks The Group principally relies on its cash deposits to fund its operations Details relating to exposure to financial instrument risks are provided in note 16

Key performance indicators

The Directors consider the principal non-financial performance indicators of the Group to be a) the progress of the Group's drug development programmes against their planned development timelines and budgets, and b) the achievement of licensing and collaboration agreements The key financial performance indicator is the cash balance of the Group

Charitable and political donations

The Group made no charitable or political donations in the period under review (year ended 30 November 2011 £nil)

External directorships

It is the Group's policy that its directors may take up other directorships provided that such appointments do not conflict with their employment with the Group Individuals may retain any remuneration received from such services External directorships held by the Directors who are in office as at the date of this report are detailed below

Mark Evenstad is also a director of USL Pharma International Limited and Proximagen Limited

Tom Burke is also a director of USL Pharma International Limited

Directors' interests (other than options) in the Company's share capital

The interests of directors in the Company's Ordinary 1p shares who were in office at 31 July 2012 are as follows

	31 July 2012	30 November 2011
Kenneth Mulvany	798,568	798,568
Michael Ashton	56,384	56,384
James Hunter	20,000	20,000
Peter Allen	20,000	20,000
Jackie Hunter	6,305	6,305

Share capital

As at 31 July 2012, the authorised and issued share capital of the Company was

	Number of Ordinary 1p shares	Amount £
Authorised	500,000,000	5,000,000
Issued and fully paid up	63,119,601	631,196

Employees

The Group is committed to providing equal opportunities in employment All job applicants and employees receive equal treatment regardless of sex, race, colour, age, and nationality or ethnic origin

The motivation of staff and the maintenance of an environment where innovation and team working is encouraged are seen as key objectives by the Board We promote internal communication of the Group's progress by means of regular meetings held with staff where issues are discussed in an open manner

The Board also recognises that a safe, secure and healthy working environment contributes to productivity and improved performance

Environment

The Group is conscious of its responsibilities in respect of the environment and follows a Group-wide environmental policy Proximagen disposes of its waste products through regulated channels using reputable agents

Creditor payment policy

The Group's standard payment policy is to pay suppliers at the end of the month following the month of invoice, where no other agreement is in place This equates to average payment terms of 45 days Group trade creditors as at 31 July 2012 represented 39 days of purchases (30 November 2011 29 days) Suppliers are made aware of the terms of payment and it is the Group's policy to abide by the agreed terms, subject to the terms and conditions being fulfilled by the supplier

Events after the balance sheet date

On 9 August 2012, the Company issued 6,500,194 new Ordinary shares of 1p each resulting from the exercise of share options

On 14 August 2012, USL Pharma Research Limited, a wholly-owned subsidiary of Upsher-Smith Laboratories Inc , acquired the entire issued share capital of Proximagen Group Limited

On 14 August 2012, Peter Allen, Michael Ashton, Jackie Hunter, Kenneth Mulvany and James Hunter resigned as directors and James Hunter also resigned as company secretary On the same date Mark Evenstad and Tom Burke were appointed directors and Mark Evenstad was appointed company secretary

On 15 August 2012 Proximagen Group plc changed its accounting reference date from 30 November 2012 to 31 July 2012

On 16 August 2012 Proximagen Group plc changed its name to Proximagen Group Limited

Going concern

The financial statements have been prepared on the going concern basis The Group continues to use cash resources to further its product development activities Income arising from such programs may arise prior to product approval upon outlicensing, or upon product approval, and such income is not anticipated during the going concern minimum period of assessment Following due consideration of financial forecasts and cash resources the Directors consider that the Company and the Group have adequate financial resources to continue in operation for the foreseeable future and at least a period of twelve months from the date of this report

The financial statements do not include any adjustments that would result if the company's ultimate parent company was to withdraw its financial support

Statement as to disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware Each of the directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions

On behalf of the board

Mark Evenstad

Director

14 December 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

UK Company law requires the Directors to prepare Group and Company Financial Statements for each financial year The directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group, the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company

In preparing each of the Group and Company financial statements, the directors are required to

a) Select suitable accounting policies and then apply them consistently

b) Make judgements and estimates that are reasonable and prudent

c) For the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU, and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements

d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Proximagen website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

We have audited the Group and parent company financial statements ("the financial statements") for the eight month period ended 31 July 2012, which comprise, for the Group, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Cash Flow Statement, and the related notes 1 to 22, and for the Company, the Balance sheet and the related notes 1 to 11 The financial reporting framework that has been applied in preparing the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 7 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 and express an opinion on 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2012 and of the Group's loss for the period then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Ernst & Young LLP

Ian Oliver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

21 December 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the eight month period ended 31 July 2012

	Note	8 month period ended 31 July 2012 £'000	Year ended 30 November 2011 £'000
Revenue	4	131	224
Cost of sales		-	(29)
Operating costs			
Research and development		(4,030)	(4,830)
Administrative expenses		(3,630)	(3,129)
Total operating costs	6	(7,660)	(7,959)
Operating loss		(7,529)	(7,764)
Finance income	5	391	540
Finance costs	5	-	(11)
Loss before tax		(7,138)	(7,235)
Income tax credit	8	-	986
Loss for the financial period		(7,138)	(6,249)
Total comprehensive expense for the period		(7,138)	(6,249)

All of the loss and the total comprehensive loss for the period is attributable to equity holders of the parent

Loss per share			
Basic and diluted loss per share (pence)	9	(11 3)	(10 7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 July 2012
Company No 05333020

	Note	31 July 2012	30 November 2011
		£'000	£'000
Non-current assets			
Intangible assets	11	1,293	1,293
Property, plant and equipment	12	284	143
		1,577	1,436
Current assets			
Trade and other receivables	13	766	566
Current tax receivable		-	986
Cash and cash equivalents	14	46,136	51,587
Total current assets		46,902	53,139
Current liabilities			
Trade and other payables	15	(2,863)	(1,939)
Net current assets		44,039	51,200
Net assets		45,616	52,636
Equity			
Ordinary shares	17	631	631
Share premium	18	73,498	73,498
Merger reserve		299	299
Share-based payment reserve		799	681
Retained losses		(29,611)	(22,473)
Total equity attributable to equity holders of the parent		45,616	52,636

Approved and authorised for issue by the Board on 14 December 2012 and signed on its behalf by

Mark Evenstad
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the eight month period ended 31 July 2012

Attributable to equity holders of the parent

	Ordinary Shares	Share Premium	Merger reserve	Share-based payment reserve	Retained losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 December 2010	**574**	**63,235**	**299**	**429**	**(16,224)**	**48,313**
Loss for the year	-	-	-	-	(6,249)	(6,249)
Total comprehensive expense for the year	-	-	-	-	(6,249)	(6,249)
Share-based payments	-	-	-	252	-	252
Issue of share capital (net of expenses)	57	10,263	-	-	-	10,320
Balance at 30 November 2011	**631**	**73,498**	**299**	**681**	**(22,473)**	**52,636**
Loss for the period	-	-	-	-	(7,138)	(7,138)
Total comprehensive expense for the period	-	-	-	-	(7,138)	(7,138)
Share-based payments	-	-	-	118	-	118
Balance at 31 July 2012	**631**	**73,498**	**299**	**799**	**(29,611)**	**45,616**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the eight month period ended 31 July 2012

	Note	8 month period ended 31 July 2012 £'000	Year ended 30 November 2011 £'000
Cash flow from operating activities			
Loss before tax		(7,138)	(7,235)
Adjustments for			
Depreciation	12	59	105
Gain on sale of assets		-	(4)
Net finance income	5	(391)	(529)
Share-based payment	19	118	252
Movement in deferred income	15	(33)	(165)
Cash flow from operating activities before changes in working capital		(7,385)	(7,576)
Changes in working capital			
(Increase)/decrease in trade and other receivables		(260)	235
Increase/(decrease) in trade and other payables		956	(597)
Cash used in operations		(6,689)	(7,938)
Income taxes received		986	933
Net cash used in operating activities		(5,703)	(7,005)
Cash flow from investing activities			
Financial assets realised		-	10,000
Interest received		453	570
Intellectual property acquired	11	-	(435)
Purchase of property, plant and equipment	12	(203)	(26)
Proceeds from sale of property, plant and equipment		2	4
Net cash generated from investing activities		252	10,113

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the eight month period ended 31 July 2012

	Note	8 month period ended 31 July 2012	Year ended 30 November 2011
Cash flow from financing activities			
Net proceeds from the issue of ordinary shares		-	10,320
Net cash generated from financing activities		-	10,320
Foreign exchange losses	5	-	(11)
Net (decrease)/increase in cash and cash equivalents		(5,451)	13,417
Cash and cash equivalents at the beginning of the period/year	14	51,587	38,170
Cash and cash equivalents at the end of the period/year	14	**46,136**	**51,587**

1. General information

Proximagen Group Limited ("the Company") and its four subsidiaries listed in Note 10 (together "the Group") develop therapies to address the needs of patients with neurological and inflammatory disorders The Company is a private limited company incorporated and domiciled in England with registered number 05333020 and its shares were listed on the London Stock Exchange's AIM market (PRX) until 14 August 2012 The address of its registered office is 3rd Floor, 91-93 Farringdon Road, London EC1M 3LN

The reporting period was changed to 31 July 2012 to allow these financial statements to be used as the opening balance sheet position for consolidation purposes by Upsher-Smith Laboratories Inc, who acquired Proximagen Group Ltd on 14 August 2012

2. Accounting policies and basis of preparation

These financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and as applied in accordance with the provisions of the Companies Act 2006

The financial statements have been prepared under the historical cost convention The principal accounting policies are set out below

a) Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of Proximagen Group Limited and its subsidiaries drawn up to 31 July 2012 and 30 November 2011 for the previous year to the nearest thousand pounds sterling (£'000), except when otherwise indicated Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases

All intra-group transactions and balances are eliminated on consolidation

The Financial Statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies, and adjustments were made where reporting requirements differ

b) Going concern

As at 31 July 2012 the Group had cash at bank in excess of £46 million The Directors, after considering the Group's cash flow requirements and the financial position of the ultimate parent company, have concluded that both the Company and the Group will have adequate financial resources to continue in operation for the foreseeable future The Directors have therefore prepared the financial statements on a going concern basis

c) Business combinations

i) Acquisitions completed prior to date of transition to IFRS

The group elected not to apply IFRS3 "Business Combinations" retrospectively to business combinations prior to the date of transition at 1 December 2006 Accordingly the classification of the combination (acquisition) remains unchanged from that used under UK GAAP

ii) Acquisitions completed after 30 November 2009

IFRS 3 (Revised 2009) sets out the accounting for business combinations completed by the Group after 30 November 2009, as summarised below

2. Accounting Policies and Basis of Preparation (continued)

Business combinations are accounted for using the acquisition method The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets Acquisition costs incurred are expensed and included in administrative expenses

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date This includes the separation of embedded derivatives in host contracts by the acquiree

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in profit or loss

After initial recognition, goodwill is measured at cost less any accumulated impairment losses For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units
Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained

There were no acquisitions accounted for under IFRS3 (Revised 2009) in the period ended 31 July 2012

iii) Acquisitions completed between the date of IFRS transition (1 December 2006) and 30 November 2009

Acquisition accounting for Cambridge Biotechnology Limited was finalized in accordance with IFRS3 (revised in 2008) In comparison to the above-mentioned requirements for acquisitions after 30 November 2009, the following differences applied

Business combinations were accounted for using the purchase method Transaction costs directly attributable to the acquisition formed part of the acquisition costs

d) Significant accounting judgements, estimates and assumptions

In preparing the Consolidated Financial Statements in conformity with generally accepted accounting principles, Group management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at each reporting date and the reported amounts of revenues and expenses during the reporting period These estimates are based on management's best knowledge of the amount, event or actions, but actual results may ultimately differ from those estimates

The areas that require management to exercise a higher degree of judgement or that involve particular complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are as follows

2. Accounting Policies and Basis of Preparation (continued)

i) Research & development

The criteria for internal development costs to be recognised as an asset, as set out in IAS 38 "Intangible Assets", are not met until a product has received regulatory approval and it is probable that future economic benefit will flow to the Group The Group has not yet received regulatory approval for any of its programmes and therefore it currently has no such qualifying expenditure

Expenditure on pure and applied research is charged to the Consolidated Statement of Comprehensive Income in the period in which it is incurred

Acquired in-process research and development is recognised at fair value on acquisition as described below

ii) In-Licenced or acquired Research & development

Payments to in-licence products and compounds from external third parties for new research & development projects (in-process research & development), generally taking the form of up-front payments and milestones, are capitalised Where payments made to third parties represent future research and development activities, an evaluation is made as to the nature of the payments Such payments are expensed if they represent compensation for sub-contracted research & development services not resulting in a transfer of intellectual property By contrast, payments are capitalised if they represent compensation for the transfer of intellectual property developed at the risk of the third party

iii) Share-based payments

In accordance with IFRS2 "Share-based Payments", the Group measures the fair value of equity settled transactions with employees at the grant date of the equity instruments The fair value is calculated using an appropriate valuation model and requires assumptions regarding dividend yields, risk-free interest rates, share price volatility and expected life of an employee share option, plus the likelihood of meeting other performance-related vesting objectives where applicable further details can be found in note 19 The arising expense is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the expected vesting period At each reporting date, for options with non market-based performance vesting objectives, the Group revises its estimate of the number of options that are expected to become exercisable and adjusts the expenses accordingly

iv) Fair values on acquisition

When acquiring a business, the Directors have to make judgements and best estimates about the fair value of the assets, liabilities and contingent liabilities acquired These are estimated regardless of whether or not they were recognised in the financial statements of the subsidiary prior to acquisition The valuation of externally acquired in-process research and development requires judgements regarding the estimated future cash outflows required to complete development and the cash inflows expected to arise from a marketed product, discounted at a suitable rate reflecting the time value of money and the risks inherent in drug development

v) Impairment of non-financial assets

Intangible assets that have an indefinite useful life and intangible assets not yet available for use that are not subject to amortisation are tested annually for impairment Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use Any impairment loss is charged to the consolidated statement of comprehensive income in the period concerned For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units)

2. Accounting Policies and Basis of Preparation (continued)

The expected cash flows generated by the assets are discounted using asset specific discount rates which reflect the risks associated with the groups of assets

e) Revenue recognition

i) Services rendered

Revenue represents the value of services provided to third-parties before charging Value Added Tax Revenue is derived from a range of services aimed at accelerating the drug discovery process in neurology Services are generally provided through specific research agreements with distinct milestones, each with a typical study duration of three to six months

Revenue from these services is recognised on a percentage completion basis Fixed price contracts are assessed on a contract by contract basis and reflected in the Consolidated Statement of Comprehensive Income by recording revenue and related costs as contract activity progresses Revenue is recognised so as to reflect the right to consideration as contract activity progresses by reference to the value of work performed The amount by which revenue exceeds payments on account is included in trade and other receivables, to the extent that payments on account exceed relevant revenue, the excess is included as deferred income Provisions for estimated losses, if any, on uncompleted contracts are recognised in the period in which the likelihood of such losses is determined

ii Licence revenues

Product licence transactions typically have an initial upfront payment, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales Where the initial fee paid is received in connection with product licensing agreements, even where such fees are non-refundable and not creditable against future royalty payments, such fees are deferred and recognised as income either by reference to the progress of the programme or to actual expenditure where development costs are incurred in developing the programme towards the next milestone

When the Group receives milestone payments for achieving pre-defined targets during pre-clinical and clinical development, these milestones are recognised when receivable (i e on achievement of the pre-defined target) except where the milestone or a proportion of the milestone is to be applied to the development of the programme which is the subject of the licensing agreement In such circumstances, the income is deferred and recognised as income by reference to the progress of the programme or to actual expenditure where development costs are incurred in developing the programme towards the next milestone

iii Grant income

Grant income is recognised when received or where there is reasonable assurance that the grant will be received and all attached conditions will be complied with A grant relating to research and development is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate

f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost Intangible assets acquired as a result of a business combination are recorded at their fair value at the acquisition date Intangible assets comprise in-process research & development acquired separately and as a result of a business combination After initial

2. Accounting Policies and Basis of Preparation (continued)

recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful economic lives from the time they are available for use, typically from product launch Further details can be found in Note 11 Intangible Assets

g) Property, plant and equipment

All property, plant and equipment are stated at cost, less any accumulated depreciation and any accumulated impairment losses Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of property, plant and equipment less its estimated residual value over its expected useful life, as follows

Laboratory equipment over £500	10%-25% straight line
Computer and office equipment over £500	20%-33% straight line

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income

The asset's residual values, useful lives and methods of depreciation are all reviewed at each financial period end and adjusted prospectively, if appropriate

h) Financial instruments

Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument

i) Financial assets

Financial assets are divided into the following categories trade and other receivables, other financial assets and cash and cash equivalents

Trade and other receivables

Trade receivables are measured at fair value on initial recognition and then subsequently at amortised cost, less provision for impairment Any change in their value through impairment or reversal of impairment is recognised in the Consolidated Statement of Comprehensive Income Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivable The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows

Other financial assets

Other financial assets comprise short-term deposits not meeting the IAS 7 definition of cash and cash equivalents, which are treated as loans and receivables and are measured at amortised cost

2. Accounting Policies and Basis of Preparation (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with maturity of 90 days or less from the date of issue, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value

ii) Trade and other payables

The Group classifies its financial liabilities as trade and other payables, being balances arising in the course of normal business with suppliers, contractors and other service providers These liabilities are initially recorded at fair value, and thereafter at amortised cost, if the timing difference is deemed to impact the fair value of the liability

i) Foreign currency

The Group's Consolidated Financial Statements are presented in sterling, which is also the parent Company's functional currency Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency

Transactions in foreign currencies are initially recorded in the Group's functional currency by applying the spot exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date All differences are taken to the Consolidated Statement of Comprehensive Income

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

j) Taxation

Current income tax

Income tax is measured at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date Research & development tax credits to be claimed in cash are recognised on an accruals basis and are included as an income tax credit in the Consolidated Statement of Comprehensive Income and a current asset in the Consolidated Statement of Financial Position Where such credits are not claimed in cash and increase carried forward losses, no accounting is recorded and associated deferred tax assets are assessed separately

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax bases and is accounted for using the balance sheet liability method Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

2 Accounting Policies and Basis of Preparation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted at the reporting date Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in the Consolidated Statement of Changes in Equity

k) Employee benefits

All employee benefit costs, notably holiday pay, bonuses and contributions to personal defined contribution pension schemes are charged to the Consolidated Statement of Comprehensive Income on an accruals basis

l) Pension contributions

The Group contributes to the personal pension plans of certain employees Contributions are charged to the Consolidated Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme

m) Operating loss

Operating loss is stated before finance income, finance costs and tax

n) Merger reserve

The merger reserve represents the reserve arising on the acquisition of Proximagen Limited on 9 March 2005 by way of a share-for-share exchange accounted for as a Group reconstruction

o) Operating leases

Operating lease payments are recognised as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term

3. Accounting developments

a) New and amended Standards and Interpretations

The accounting policies, presentation and methods of computation are the same as those applied in the Group's annual financial statements as at 30 November 2011

The Group also adopted the following new/revised Standards and Interpretations which became effective in the eight month period to 31 July 2012

- IFRIC 14 (amended) – *Prepayments of Minimum Funding Requirement* (effective 1 January 2011)
- IAS 24 (amended) – *Related Party Disclosures* (effective 1 January 2011)
- *Improvements to IFRS* (issued in May 2010) (effective 1 January 2011)
- IFRS7 – *Financial Instruments Disclosures Enhanced derecognition disclosure requirements (effective 1 July 2011)*

The adoption of these Standards and Interpretations had no material impact on the financial statements of the Group

b) Standards issued but not yet effective

The following Standards and Interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 August 2012 The group intends to adopt these standards when they become effective

- IFRS 9 – *Financial instruments Classification and Measurement* (Effective 1 January 2013)
- IAS 1 –*Presentation of Items of Other Comprehensive Income – Amendments to IAS 1* (effective 1 July 2012)
- IAS 27 – *Separate Financial Statements (as revised in 2011)* (effective 1 January 2013)
- IFRS 10 – *Consolidated Financial Statements* (effective 1 January 2013)
- IFRS 12 – *Disclosure of Involvement with Other Entities (effective 1 January 2013)*
- IFRS 13 – *Fair Value Measurement* (effective 1 January 2013)
- IAS 19 – *Employee benefits (Amendment)* (effective 1 January 2013)
- IAS 28 – *Investment in associates and joint ventures (as revised in 2011)* (effective 1 January 2013)
- IAS 12 – *Income taxes – Recovery of underlying assets* (effective 1 January 2012)
- IFRS 11 – *Joint Ventures* (effective 1 January 2013)

The Directors do not anticipate that the adoption of the above standards or any other standards and Interpretations published but not included above will have a significant impact on the financial statements of the Group when they come into effect for periods commencing on or after 1 August 2012

4. Revenue

Further detail on the Group's revenue recognition policy can be found in Note 2 (e)

An analysis of the Group's revenue is as follows

	8 month period ended 31 July 2012	Year ended 30 November 2011
	£'000	£'000
Services rendered	-	59
Licence revenues	34	165
Grant income	97	-
Total	131	224

Revenue by destination of customer is presented below

	8 month period ended 31 July 2012	Year ended 30 November 2011
	£'000	£'000
United States of America	131	224
Total	131	224

Revenue by customer is presented below

	8 month period ended 31 July 2012	Year ended 30 November 2011
	£'000	£'000
Customer A	34	165
Customer B	-	59
Customer C	97	-
Total	131	224

The Group's operations are all based in the United Kingdom and there is only one business segment Consequently no further segmental disclosures are provided

5. Finance income and finance costs

	8 month period ended 31 July 2012	Year ended 30 November 2011
	£'000	£'000
Finance income		
Bank interest receivable	387	414
Interest receivable from short-term deposits	4	126
	391	540
Finance costs		
Foreign exchange losses	-	(11)
Net finance income	391	529

6. Group operating loss

	8 month period ended 31 July 2012	Year to 30 November 2011
	£'000	£'000
Group operating loss is stated after charging/(crediting)		
Depreciation charged for the period/year on property, plant and equipment	59	105
Research and development costs	4,030	4,830
Transaction costs *	1,425	31
Auditor's remuneration for audit services	30	35
Operating lease charges	211	375
Gain on sale of assets	-	(4)
Share-based payments	118	252

*The transaction costs relate to the acquisition of Proximagen Group Limited by Upsher-Smith Laboratories Inc

6. Group operating loss (continued)

	8 month period ended 31 July 2012	Year ended 30 November 2011
The amounts payable to Ernst & Young LLP are set out below	£'000	£'000
i) For the audit of Parent Company and Consolidated Financial Statements	20	23
ii) For the audit of the Company's subsidiaries	10	12
Total auditor's remuneration for audit services	**30**	**35**
iii) Taxation services	8	10
iv) Other services	19	5
Total amounts payable to Ernst & Young LLP	**57**	**50**

7 Employee information

The average monthly number of persons (including directors) employed by the Group during the period/year was

	8 month period ended 31 July 2012	Year ended 30 November 2011
Research and development	29	33
Administrative	10	9
	39	42

	8 month period ended 31 July 2012	Year ended 30 November 2011
	£'000	£'000
Staff costs (including key management personnel)		
Wages and salaries	1,767	2,593
Social security costs	202	301
Pension costs	86	145
Total of cash-settled remuneration	2,055	3,039
Share-based payments	118	252
Total remuneration	2,173	3,291

7. Employee information (continued)

Key management personnel remuneration	8 month period ended 31 July 2012	Year ended 30 November 2011
	£'000	£'000
Salaries and short term employee benefits	697	995
Employer's National Insurance	74	112
Pension costs	26	56
Share-based payments	112	130
Total remuneration	909	1,293

The Group's key management personnel during the period comprised the two executive directors, the head of R&D, Stevo Knezevic and the head of non-clinical development, Bruce Campbell

Directors' remuneration for the eight month period ended 31 July 2012

	Directors' emoluments	Loss of office	Total salary and fees	Bonus	Benefits	Total	Pension contributions	Total
	£	£	£	£	£	£	£	£
Executive directors								
Kenneth Mulvany	202,869	-	202,869	101,435	805	305,109	-	305,109
James Hunter	117,012	-	117,012	30,793	1,050	148,855	13,167	162,022
Non-executive directors								
Peter Allen	36,667	27,500	64,167	-	-	64,167	-	64,167
Michael Ashton	24,667	9,250	33,917	-	-	33,917	-	33,917
Jackie Hunter	20,000	2,500	22,500	-	-	22,500	-	22,500
Total	**401,215**	**39,250**	**440,465**	**132,228**	**1,855**	**574,548**	**13,167**	**587,715**

Directors' remuneration for the year ended 30 November 2011

	Directors' emoluments	Other remuneration	Total salary and fees	Bonus	Benefits	Total	Pension contributions	Total
	£	£	£	£	£	£	£	£
Executive directors								
Kenneth Mulvany	291,200	-	291,200	145,600	1,240	438,040	-	438,040
James Hunter	167,960	-	167,960	30,056	1,550	199,566	18,871	218,437
Non-executive directors								
Peter Allen	45,000	-	45,000	-	-	45,000	-	45,000
Michael Ashton	28,000	-	28,000	-	-	28,000	-	28,000
Jackie Hunter (a)	27,000	69,600	96,600	-	-	96,600	-	96,600
Total	**559,160**	**69,600**	**628,760**	**175,656**	**2,790**	**807,206**	**18,871**	**826,077**

7. Employee information (continued)

a) The Group was charged £nil in the period (year ended 30 November 2011 £69,968) by OI Pharma Partners Limited, a company controlled by Jackie Hunter for the provision of her consulting services on the Company's R&D programmes Of these amounts £nil (year ended 30 November 2011 £69,600) related to consultancy and £nil (year ended 30 November 2011 £368) to out of pocket expenses The Group owed £nil (exclusive of VAT) to OI Pharma Partners Limited at 31 July 2012 (30 November 2011 £14,520)

8. Taxation

	8 month period ended 31 July 2012	Year ended 30 November 2011
Current tax	£'000	£'000
United Kingdom corporation tax credit on loss for the period/year	-	(986)
Adjustments in respect of previous periods	-	-
Tax credit for the period/year	-	(986)
Deferred tax		
Origination and reversal of temporary differences	-	-
Effect of rate change on opening balances	-	-
Total tax credit for the period/year	-	(986)

Factors affecting tax credit for the period/year

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom

The difference is explained below

Loss before tax	(7,138)	(7,235)
Loss before tax multiplied by the standard rate of corporation tax in the United Kingdom of 25 5% (2011 26 67%)	(1,820)	(1,930)
Effects of		
Expenses not deductible for tax purposes	400	97
Additional deduction for R&D	(878)	(973)
Surrendered for R&D tax credit	-	1,044
Unrelieved tax losses	2,292	779
Income not taxable for tax purposes	10	(3)
Adjustment to tax charge in respect of previous periods	(4)	-
Total tax credit for the year	-	(986)

8. Taxation (continued)

Unrecognised deferred tax assets/(liabilities)

	31 July 2012	30 November 2011
	£'000	£'000
Trade losses	10,448	8,636
Property, plant and equipment	(34)	(31)
Provision	2	2
Share-based payments	192	170

A deferred tax asset has not been recognised due to the uncertainty of its recoverability

In the Budget of 23 March 2011, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position The Budget proposed a decrease in the rate of UK corporation tax by 1% each year until April 2014 This reduction will affect both the future and current tax charge of the Company

The Finance Act 2012 included a reduction in the UK corporation tax rate to 24% effective from 1 April 2012 and also a further decrease of 1% effective from 1 April 2013 The 23% rate was substantially enacted in July 2012 and therefore deferred tax assets and liabilities have been calculated at this rate

The effect on the Company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantially enacted

9. Basic and diluted loss per ordinary share

	8 month period ended 31 July 2012	Year ended 30 November 2011
Loss for the period (£'000)	7,138	6,249
Weighted average number of shares	63,119,601	58,354,269
Loss per share - Basic and diluted (pence)	11 3	10 7

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted loss per ordinary share are identical to those used for basic loss per share This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33

10. Investment in subsidiary undertaking

Proximagen Group Limited has four subsidiary undertakings Proximagen Limited (Company number 04977050), Cambridge Biotechnology Limited (Company number 04221335), Minster Pharmaceuticals plc (Company number 00481650) and Minster Research Limited (Company number 04136733) which are all incorporated in England and Wales and whose details are summarised below

Name of subsidiary	Class of holding	Proportion held directly	Nature of business
Proximagen Limited	Ordinary	100%	Research & development
Cambridge Biotechnology Limited	Ordinary	100%	Dormant
Minster Pharmaceuticals plc	Ordinary	100%	In liquidation
Minster Research Limited	Ordinary	0%	In liquidation

Minster Research Limited is wholly owned by Minster Pharmaceuticals plc

Minster Pharmaceuticals plc and Minster Research Limited both entered liquidation on 30 March 2011

11. Intangible Assets

	In-process research and development	Total
	£'000	£'000
Cost		
At 1 December 2010	858	858
Additions	435	435
At 30 November 2011 and 31 July 2012	1,293	1,293
Accumulated amortisation		
At 1 December 2010, 30 November 2011 and 31 July 2012	-	-
Net book value		
At 31 July 2012	1,293	1,293
At 30 November 2011	1,293	1,293

There are no intangible assets with an indefinite useful life

All of the acquired in-process research & development are assets which are not used in launched products These assets have not yet begun to be amortised but have been tested for impairment by assessing their value-in-use Value-in-use calculations are generally utilised to calculate the recoverable amount Key assumptions for the value-in-use calculations are as follows

- *Launch dates of products employing these technologies* – Launch dates reflect management's most recent information on the expected date of launching products
- *Development costs to obtain regulatory approval* – costs are estimated net of any contributions expected from collaborative arrangements with existing or future partners
- *Sales projections* – These are based on management's projections using external market data
- *Discount rates* – The discount rate is estimated based on the Capital Asset Pricing Model, typically giving a rate of around 15% This rate is adjusted to reflect the specific risk associated with the relevant product
- *Cash flow projections* – Cash flow projections are made usually to the expiry of the patent, which is generally greater than five years A terminal value is applied where appropriate
- *Research & development activities* – the outcome of research & development activities (compound efficacy, results of clinical trials, etc)
- *Probability of success* – the probability of obtaining regulatory approval

In-process research & development assets were tested for impairment at 31 July 2012

11. Intangible Assets (continued)

With regard to the assessment of value in use of the In-process research & development, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount, other than failure of research and development activities or not obtaining regulatory approval In such instances the relevant intangible asset(s) would likely be impaired to £Nil

12. Property, plant and equipment

	Laboratory equipment	Computer equipment	Office equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 December 2010	458	47	83	588
Additions	11	9	6	26
Disposals	(15)	-	-	(15)
At 30 November 2011	454	56	89	599
Additions	196	7	-	203
Disposals	(17)	(2)	-	(19)
At 31 July 2012	633	61	89	783
Depreciation				
At 1 December 2010	326	23	17	366
Charged in the year	81	8	16	105
Depreciation on disposal	(15)	-	-	(15)
At 30 November 2011	392	31	33	456
Charged in the period	42	11	6	59
Depreciation on disposal	(16)	-	-	(16)
At 31 July 2012	418	42	39	499
Net book value				
At 31 July 2012	215	19	50	284
At 30 November 2011	62	25	56	143
At 30 November 2010	132	24	66	222

13 Trade and other receivables

	31 July 2012	30 November 2011
Due within one year	£'000	£'000
Trade receivables	-	26
Other receivables	395	205
Prepayments and accrued income	371	335
	766	566

Trade receivables are neither past due nor impaired

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value

14. Cash and cash equivalents

	31 July 2012	30 November 2011
	£'000	£'000
Cash at bank and on hand	46,136	51,587

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value

Cash at bank includes £206,000 (2011 £206,000) of a milestone payment received under a licensing agreement which is to be applied to the development of the programme subject to the licensing agreement

15. Trade and other payables

	31 July 2012	30 November 2011
Amounts falling due within one year	£'000	£'000
Trade payables	625	458
Other taxation and social security costs	77	84
Other creditors	4	-
Accruals	1,635	842
Deferred income	522	555
	2,863	1,939

Trade payables principally comprise amounts outstanding for trade purchases and on-going costs Creditor days at 31 July 2012 were 39 days (2011 29 days)

The directors consider that the carrying amount of trade and other payables approximates to their fair value

16. Financial instruments

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and currency risk The policies for managing these risks are regularly reviewed and agreed by the Board It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken

There is no material difference between the book value and the fair value of financial assets and liabilities

The Group's Financial assets and liabilities are summarised below

	Note	31 July 2012	30 November 2011
		£'000	£'000
Financial assets			
Loans and receivables			
Trade and other receivables	16(a)	441	1,334
Cash and cash equivalents	14	46,136	51,587
Total financial assets		**46,577**	**52,921**
Financial liabilities			
Other financial liabilities			
Trade and other payables	16(b)	2,341	1,384
Total financial liabilities		**2,341**	**1,384**

(a) Trade and other receivables shown above excludes prepayments, which are not a contractual obligation to receive cash, amounting to £325,000 (2011 £218,000), and include corporation tax receivables

(b) Trade and other payables shown above excludes deferred income which is not a contractual obligation to pay cash, amounting to £522,000 (2011 £555,000) All amounts are due within one year

Liquidity risk

It is the Group's policy to ultimately finance its business by means of internally generated funds While the Group's product development portfolio is progressing towards ultimate approval, the Group's funding requirements are supported by the issuance of share capital

Trade and other payables are payable within the terms specified by the supplier and are generally between 30 and 60 days

Interest rate risk

The Group's policy on managing its exposure to interest rate changes is agreed at Board level and reviewed on an ongoing basis

16. Financial instruments (continued)

The main principles governing the Group's investment criteria are the security and liquidity of its investments before yield, although the yield (or return) is also a consideration The Group will also ensure

i) that it has sufficient liquidity in its investments For this purpose it will use its cash flow forecasts for determining the maximum periods for which funds may prudently be committed, and

ii) that it maintains a policy covering both the categories of investment types in which it will invest, and the criteria for choosing investment counterparties

The interest rate risk profile of the Group's financial assets, excluding trade and other receivables, was as follows

	Floating rate		**Total**	
	31 July 2012	30 November 2011	31 July 2012	30 November 2011
	£'000	£'000	£'000	£'000
Sterling	46,088	51,586	46,088	51,586
US dollars	48	1	48	1
Total	46,136	51,587	46,136	51,587

Floating rate deposits in sterling earn interest at prevailing bank rates

It is estimated that an increase or decrease of 1% in average interest rates would have resulted in the following differences to the Group's reported finance income during the period

Period to 31 July 2012	-1%	Actual	+1%
Interest rate (%)	0 21	1 21	2 21
Finance income (£'000)	69	391	713
Net assets (£'000)	46,064	46,386	46,708

Year ended 30 November 2011	-1%	Actual	+1%
Interest rate (%)	0 19	1 19	2 19
Finance income (£'000)	86	540	994
Net assets (£'000)	51,996	52,450	52,904

Currency risk

The Group's net income and financial position, as expressed in pounds sterling, are exposed to movements in foreign exchange rates against the US dollar and the euro The main trading currencies of the Group are pounds sterling, the US dollar, and the euro The Group is exposed to foreign currency risk as a result of trading transactions and the translation of foreign bank accounts

16. Financial instruments (continued)

The Group is exposed to euro and US dollar currency exchange rate fluctuations as some of its costs are denominated in these currencies The amounts involved are not significant and the Group does not routinely hedge against these currency exposures At 31 July 2012, the amount of the Group's trade and other payables denominated in euros totalled €8,000 (2011 €1,000) and the amount of the Group's trade and other payables denominated in US dollars totalled $31,000 (2011 $17,000)

Foreign exchange sensitivity analysis

The Group has estimated that if sterling had been 10% weaker than actual against the US dollar and the Euro throughout the period, the Group's loss before tax would have increased by £28,000 Conversely if sterling had been 10% stronger than actual against the US dollar and the Euro throughout the period, the Group's loss would have decreased by £28,000

Credit risk

The Group's customers and collaboration partners are predominantly large pharmaceutical companies and with customers typically having significant cash resources the risk of customers defaulting on debts with the Group is considered to be low The Group also applies credit evaluation and control procedures The trade receivables at 31 July 2012 were Nil (2011 £26,000)

Capital risk

The Group places its cash deposits with selected financial institutions

Recent events in the banking industry have led the Group to use shorter term deposits and the weighted average period for which fixed rate sterling deposits were placed in 2012 was 1 day, compared with 1 3 days in 2011

Capital risk management

The Group's principal objective when managing its capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders whilst maintaining an optimum capital structure to reduce the cost of capital

The Group plans its capital requirements regularly The requirement for capital is satisfied by the issue of shares

The Group has no short-term borrowings

The Group is under no obligation to meet any externally imposed capital requirements

Fair value of financial assets and liabilities

There is no material difference between the fair value and carrying values of the financial instruments referred to above, because of the short maturity period of these financial instruments or their intrinsic size and risk

Banking facility

The Group does not currently have an overdraft facility

17. Called-up share capital

	1p Ordinary share capital	
	Number	£'000
Authorised		
At 30 November 2010, 30 November 2011 and 31 July 2012	500,000,000	5,000
Allotted, issued and fully paid		-
At 1 December 2010	57,368,001	574
Issued during the year	5,751,600	57
At 30 November 2011	63,119,601	631
At 1 December 2011 and July 2012	63,119,601	631

Share capital represents the nominal value of shares issued

On 9 August 2012, the Company issued 6,500,194 new Ordinary shares of 1p each resulting from the exercise of share options

18. Share Premium

	£'000
At 1 December 2010	63,235
New share capital issued	10,263
At 30 November 2011 and 31 July 2012	73,498

Share premium represents amounts subscribed for share capital in excess of nominal value less the related costs of share issues

19. Share-based payments

Share options are held by option holders in either the Proximagen Group Limited Unapproved Share Option Plan ("Unapproved Plan") or under the Proximagen Group Limited Enterprise Management Incentive Share Option Plan All options in both plans are settled in equity when the options are exercised All new share options are now issued under the Unapproved Plan

Options under both plans vest based on one or more of time employed at Proximagen, individual performance, the market performance and change of control The maximum term of options is 10 years

The IFRS 2 share option charge for the eight month period was £118,000 (2011 £252,000)

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the period

	31 July 2012	31 July 2012	30 November 2011	30 November 2011
	No	WAEP (£)	No	WAEP (£)
Total outstanding at beginning of the period	6,578,672	0 58	6,647,375	1 16
Granted during the period/year	302,795	1 42	213,473	1 43
Exercised	-	-	(13,500)	0 10
Forfeited	(175,023)	1 23	(268,676)	1 30
Total outstanding at 31 July/30 November	6,706,444	1 18	6,578,672	1 17
Exercisable at 31 July/30 November	3,313,642	1 25	1,245,041	0 58

The following table summarises information about the range of exercise prices for share options outstanding at the period end

	31 July 2012	30 November 2011
Range of exercise prices	No	No
£0 00 - £0 49	726,000	726,000
£0 50- £0 99	60,000	60,000
£1 00 - £1 50	5,920,432	5,792,672
Total	6,706,432	6,578,672

At 31 July 2012, the weighted average remaining contractual life of options exercisable is 5 8 years
(2011 3 1 years)

The weighted average fair value of options granted in the period is 34 0p (2011 37 8p)

The non-market performance conditions for all share options outstanding at 31 July 2012 and with a vesting date of 31 July 2012 or before have been achieved

19. Share-based payments (continued)

The share-based payment charge has been calculated using the Black-Scholes model to calculate the fair value of the share options that vest according to non-market performance conditions An appropriate valuation model has been used to calculate the fair value of share options with market performance-related vesting Disclosure of those valuation assumptions is not made on the basis that the related charge is immaterial

The inputs into the Black-Scholes model are as follows

	31 July 2012	30 November 2011
Weighted average share price (p)	142 0	142 4
Weighted average exercise price (p)	142 0	142 8
Weighted average expected volatility (%)	37	37
Weighted average expected life (years)	4 14	4 44
Weighted average risk free rate (%)	0 83	2 23
Expected dividends	0%	0%

a The risk-free rate is based on the UK Gilt rate as at the grant date with a period to maturity commensurate with the expected term of the relevant option tranche

b The expected life is the period from the grant of the option to the earliest exercise date

c The expected volatility is based on the historic volatility of the Company's share price

20. Leasing commitments

The Group's future minimum lease payments under non-cancellable operating leases are as follows

	Land and buildings	
	31 July 2012	30 November 2011
	£'000	£'000
Within one year	313	311
In two to five years	167	268
	480	579

21. Ultimate parent undertaking

The company's immediate parent undertaking is USL Pharma International Limited, a company registered in England and Wales (No 08098631) The ultimate parent undertaking and controlling party is Upsher-Smith Laboratories Inc

22. Events after the balance sheet date

On 9 August 2012, the Company issued 6,500,194 new Ordinary shares of 1p each resulting from the exercise of share options

On 14 August 2012, USL Pharma International Limited, a wholly-owned subsidiary of Upsher-Smith Laboratories Inc , acquired the entire issued share capital of Proximagen Group Limited On 16 August 2012 Proximagen Group plc changed its name to Proximagen Group Limited

On 17 September 2012, Proximagen Group Limited loaned £35m to USL Pharma International Limited The repayment date is 5 years from 17 September 2012, or within 5 working days of written demand by Proximagen Group Limited

PARENT COMPANY BALANCE SHEET
At 31 July 2012

Company No: 05333020

	Note	31 July 2012	30 November 2011
		£'000	£'000
Fixed assets			
Investments	5	31,594	26,962
Current assets			
Debtors			
Amounts due within one year	6	316	227
Cash at bank and in hand		45,881	51,235
		46,197	51,462
Creditors amounts falling due within one year	7	(1,833)	(1,174)
Net current assets		44,364	50,288
Net assets		75,958	77,250
Capital and Reserves			
Called up share capital	8,9	631	631
Share premium account	9	73,498	73,498
Share-based payment reserve	9	799	681
Profit and loss account	9	1,030	2,440
Shareholders' funds	9	75,958	77,250

Approved and authorised for issue by the Board on **14** December 2012 and signed on its behalf by

Mark Evenstad
Director

1. Basis of preparation

The Company Balance Sheet and related notes have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice ('UK GAAP')

As permitted by s408 of the Companies Act 2006, the profit and loss account of the Company is not presented in this Annual Report As permitted by FRS 1 "Cash Flow Statements", no cash flow statement for the Company has been included on the grounds that the Group includes the Company in its own published consolidated financial statements The Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose related party transactions with other wholly-owned members of the Group

These financial statements present information about the Company as an individual undertaking and not about its Group

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) Investment in subsidiary undertakings and impairment review

Investments in subsidiary undertakings where the Company has control are stated at cost less any provision for impairment Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable Impairments are calculated such that the carrying value of the investment is the lower of its cost or recoverable amount Recoverable amount is the higher of its net realisable value and its value in use

b) Share-based payments

In accordance with UITF 44, when the Company grants options over equity instruments directly to the employees of a subsidiary undertaking, the effect of the share-based payment, as calculated in accordance with FRS 20, is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity

c) Taxation

Corporation taxes are recorded on taxable profits at the current rate Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred Tax" In accordance with FRS 19, deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted

d) Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are charged/credited to the profit and loss account

e) Leases and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

3. Profit attributable to members of the parent company

As permitted by s408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements The loss for the eight month period dealt with in the financial statements of the parent company was £1,410,000 (2011 Profit for the year £113,000)

The auditors' remuneration in respect of audit services provided to the Company is disclosed in Note 6 of the Notes to the Consolidated Financial Statements of the Group

4. Directors' remuneration

Details of directors' remuneration are disclosed in Note 7 to the consolidated financial statements of the Group

5. Investments

	Investments in subsidiary undertakings		Capital contributions from share-based payments	Total
	Shares	Loan		
	£'000	£'000	£'000	£'000
Cost				
At 1 December 2011	7,466	22,539	625	30,630
Additions	-	4,514	118	4,632
At 31 July 2012	7,466	27,053	743	35,262
Accumulated Impairment				
At 1 December 2011 and 31 July 2012	(3,668)	-	-	(3,668)
Net book value				
At 31 July 2012	3,798	27,053	743	31,594
At 30 November 2011	3,798	22,539	625	26,962

Proximagen Group Limited has four subsidiary undertakings Proximagen Limited (Company number 04977050), Cambridge Biotechnology Limited (Company number 04221335), Minster Pharmaceuticals plc (Company number 00481650) and Minster Research Limited (Company number 04136733) which are all incorporated in England and Wales and whose details are summarised below

Name of subsidiary	Class of holding	Proportion held directly	Nature of business
Proximagen Limited	Ordinary	100%	Research &development
Cambridge Biotechnology Limited	Ordinary	100%	Dormant
Minster Pharmaceuticals plc	Ordinary	100%	In liquidation
Minster Research Limited	Ordinary	0%	In liquidation

Minster Research Limited is wholly owned by Minster Pharmaceuticals plc

6. Debtors

	31 July 2012	30 November 2011
Due within one year	£'000	£'000
Trade debtors	-	-
Other debtors	187	41
Prepayments and accrued income	129	186
	316	227

7. Creditors: amounts falling due within one year

	31 July 2012	30 November 2011
	£'000	£'000
Trade creditors	115	108
Other taxation and social security costs	7	5
Amounts due to subsidiary undertaking	921	921
Accruals and deferred income	790	140
	1,833	1,174

8. Share capital

	31 July 2012	30 November 2011
	£'000	£'000
Authorised		
500,000,000 Ordinary shares of 1p each	5,000	5,000
Allotted, issued and fully paid:		
63,119,601 (2011 63,119,601) Ordinary shares of 1p each	631	631

Details of the Company's share option schemes can be found in Note 19 to the Consolidated Financial Statements of the Group

9. Reconciliation of movement in reserves and shareholders' funds

	Ordinary Shares	Share Premium	Share based payment reserve	Retained earnings	Total Shareholders' funds
	£'000	£'000	£'000	£'000	£'000
Balance at 1 December 2010	**574**	**63,235**	**429**	**2,327**	**66,565**
Profit for the year	-	-	-	113	113
Share-based payments contribution	-	-	252	-	252
Issue of share capital	57	10,263	-	-	10,320
Balance at 30 November 2011	**631**	**73,498**	**681**	**2,440**	**77,250**
Loss for the eight month period	-	-	-	(1,410)	(1,410)
Share-based payments contribution	-	-	118	-	118
Balance at 31 July 2012	**631**	**73,498**	**799**	**1,030**	**75,958**

10. Leasing commitments

The Company's future minimum lease payments under non-cancellable operating leases are as follows

	Land and buildings	
Lease expiry	31 July 2012	30 November 2011
	£'000	£'000
Within one year	-	-
In two to five years	67	67
	67	67

11. Events after the balance sheet date

On 9 August 2012, the Company issued 6,500,194 new Ordinary shares of 1p each resulting from the exercise of share options

On 14 August 2012, USL Pharma International Limited, a wholly-owned subsidiary of Upsher-Smith Laboratories Inc , acquired the entire issued share capital of Proximagen Group Limited On 16 August 2012 Proximagen Group plc changed its name to Proximagen Group Limited

11. Events after the balance sheet date (continued)

On 17 September, Proximagen Group Limited loaned £35m to USL Pharma International Limited The repayment date is 5 years from the 17th September 2012, or within 5 working days of written demand by Proximagen Group Limited

12. Ultimate parent undertaking

The company's immediate parent undertaking is USL Pharma International Limited, a company registered in England and Wales (No 08098631) The ultimate parent undertaking and controlling party is Upsher-Smith Laboratories Inc