

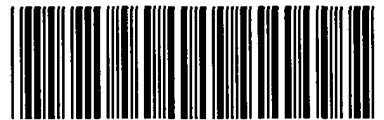
# Proximagen Group Limited

## FINANCIAL STATEMENTS

For the year ended 31 December 2013

Registered number: 05333020

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COMPANIES HOUSE

# Proximagen Group Limited

## DIRECTORS' REPORT

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### **Directors**

Mark Evenstad  
William Pullman  
Stephen Robinson

### **Registered Office**

3<sup>rd</sup> Floor  
91 – 93 Farringdon Road  
London  
EC1M 3LN

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Abacus House  
Castle Park  
Cambridge  
CB3 0AN

### **Bankers**

NatWest Commercial Banking  
RBS House  
Block H - Sunbury Business Centre  
Brooklands Close  
Sunbury on Thames  
Surrey  
TW16 7DX

# Proximagen Group Limited

## STRATEGIC REPORT

For the year ended 31 December 2013

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The directors present their strategic report for the year ended 31 December 2013.

### **Principal activities**

The principal activity of the Company during the year was that of a holding company.

### **Review of the business and future developments**

The Company's profit for the financial year/period is £28,000 (Five months to 31 December 2012: loss of £8,000).

The Company intends to continue as a parent company supporting its wholly owned subsidiary Proximagen Limited in its drug development and commercialisation activities.

### **Principal risks and uncertainties**

The principal risks and uncertainties of the Company are the same as those of its UK parent company USL Pharma International UK Limited and these can be found in the strategic report of the USL Pharma International UK Limited financial statements for the year ended 31 December 2013.

### **Key performance indicators**

The management and reporting of risk and KPIs for Proximagen Group Limited is undertaken at the group level. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Proximagen Group Limited. The development, performance and position of USL Pharma International UK Limited, which includes the Company, are discussed on page 3 of the group's financial statements, which do not form part of this report.

On behalf of the board



Stephen Robinson  
Director

26 September 2014

# Proximagen Group Limited

## DIRECTORS' REPORT

For the year ended 31 December 2013

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The directors present their director's report and the audited financial statements of Proximagen Group Limited (the "Company") for the year ended 31 December 2013.

### Future developments

The future developments of the Company are provided in the strategic report and incorporated into the directors' report by cross-reference.

### Going concern

The financial statements have been prepared on the going concern basis. The directors have received confirmation that the ultimate parent company will continue to provide financial support while the Company and its subsidiary continue their research programmes which incur net cash outflows. The directors have satisfied themselves that the ultimate parent company has the available resources to provide those funds. This support will enable the Company to meet its liabilities as they fall due for the foreseeable future.

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

### Dividend

The directors do not recommend the payment of a dividend (2012: nil).

### Directors

The following directors have held office during the year and up to the date of approval of these financial statements, unless otherwise stated.

Mark Evenstad

Tom Burke

William Pullman

Stephen Robinson

(resigned 18 December 2013)

(appointed 18 December 2013)

(appointed 18 December 2013)

A qualifying third party indemnity provision was in place for the benefit of all directors of the Company during the financial year and also at the date of approval of the financial statements.

# Proximagen Group Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2013

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## Events after the balance sheet date

There are no reportable events after the balance sheet date.

## 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. 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.

On behalf of the board



Stephen Robinson  
Director

26 September 2014

# Proximagen Group Limited

## DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently; and
- make judgements and accounting estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Proximagen Group Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROXIMAGEN GROUP LIMITED

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### Report on the financial statements

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#### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

*This opinion is to be read in the context of what we say in the remainder of this report.*

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#### What we have audited

The financial statements, which are prepared by Proximagen Group Limited, comprise:

- the Balance Sheet as at 31 December 2013;
- the Profit and Loss Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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#### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 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 financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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#### Opinion on other matter prescribed by the Companies Act 2006

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In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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# Proximagen Group Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROXIMAGEN GROUP LIMITED

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### Other matters on which we are required to report by exception

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#### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Simon Ormiston (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge

30 September 2014



**Proximagen Group Limited**  
**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2013

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	Note	Year ended 31 December 2013	Five months ended 31 December 2012
		£'000	£'000
<b>Turnover</b>	2	240	100
Gross profit		240	100
Administrative expenses		(272)	(250)
<b>Operating loss</b>		(32)	(150)
Interest receivable and similar income		60	142
<b>Profit / (loss) on ordinary activities before taxation</b>	3	28	(8)
Tax on profit/(loss) on ordinary activities	5	-	-
<b>Profit / (loss) for the financial year/period</b>	10	28	(8)

The operating loss for the year/period arises from the Company's continuing operations.

There are no material differences between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year/period stated above and their historical cost equivalents.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# Proximagen Group Limited

## BALANCE SHEET

As at 31 December 2013

	Note	31 December 2013 £'000	31 December 2012 £'000
<b>Fixed assets</b>			
Investments	6	44,927	37,108
<b>Current assets</b>			
Debtors	7	35,064	35,090
Cash at bank and in hand		4,895	12,684
		39,959	47,774
Creditors: amounts falling due within one year	8	(933)	(957)
<b>Net current assets</b>		39,026	46,817
<b>Total assets less current liabilities</b>		83,953	83,925
<b>Net assets</b>		83,953	83,925
<b>Capital and reserves</b>			
Called up share capital	9	696	696
Share premium account	10	81,072	81,072
Share-based payment reserve	10	1,135	1,135
Profit and loss account	10	1,050	1,022
<b>Total shareholders' funds</b>	10	83,953	83,925

The financial statements on pages 9 to 16 were approved by the Board of Directors on 26 September 2014 and signed on its behalf by:



Stephen Robinson  
Director

# Proximagen Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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### 1. Accounting policies

#### a) Basis of accounting

The financial statements of Proximagen Group Limited ("the Company") have been prepared on a going concern basis in accordance with applicable UK accounting standards, under the historical cost convention and in accordance with Companies Act 2006.

The principal accounting policies are set out below and have been applied consistently throughout the periods presented.

#### b) Going concern

The financial statements have been prepared on the going concern basis. The directors have received confirmation that the ultimate parent company will continue to provide financial support while the Company and its subsidiary continue their research programmes which incur net cash outflows. The directors have satisfied themselves that the ultimate parent company has the available resources to provide those funds. This support will enable the Company to meet its liabilities as they fall due for the foreseeable future.

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

#### c) Turnover

Turnover represents the value of services provided to group companies after deducting Value Added Tax. Turnover from service contracts is recognised on a straight-line basis over the contract year.

#### d) 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.

#### e) 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.

Share options were exercised prior to the acquisition of the entire issued share capital of the Company by USL Pharma International UK Limited on 14 August 2012. No employees of the subsidiary undertaking held options over the shares in the Company at 31 December 2013 or 31 December 2012.

#### f) 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.

# Proximagen Group Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

### 1. Accounting policies (continued)

#### g) 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.

#### h) Cash flow statement

The Company has taken advantage of the exemption available under FRS1 not to prepare a cash flow statement as it is a wholly owned subsidiary of another company whose consolidated financial statements, in which the Company is included, include a cash flow statement and are publicly available.

#### i) Lease and hire purchase commitments

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

### 2. Turnover

	Year ended 31 December 2013	Five months ended 31 December 2012
	£'000	£'000
An analysis of the Company's turnover is as follows:		
All sales were made in the United Kingdom.		
Service fees	<u>240</u>	<u>100</u>

### 3. Profit/(loss) on ordinary activities before taxation

	Year ended 31 December 2013	Five months ended 31 December 2012
	£'000	£'000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Transaction costs*	-	105
Operating lease charges – other	<u>58</u>	<u>24</u>

\*The Transaction costs relate to the acquisition of Proximagen Group Limited by the Upsher-Smith Laboratories Inc. group on 14 August 2012.

#### Services provided by the Company's auditors

	Year ended 31 December 2013	Five months ended 31 December 2012
	£'000	£'000
During the year, the Company obtained the following services from the Company's auditor.		
Fees payable to the Company's auditor for the audit of the financial statements	5	5
Fees payable to the Company's auditor for other services	5	3
Tax compliance services	<u>10</u>	<u>8</u>

# Proximagen Group Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

### 4. Directors' emoluments

The aggregate emoluments of the directors of the Company are shown below.

	Year ended 31 December 2013 £'000	Five months ended 31 December 2012 £'000
Aggregate emoluments	-	5

There were no employees during the year (Five months to 31 December 2012: 2).

### 5. Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2013 £'000	Five months ended 31 December 2012 £'000
Tax on profit/(loss) on ordinary activities	-	-

Factors affecting tax for the year/period:

The tax assessed for the year/period is different to the blended standard rate of corporation tax in the UK 23.25%.  
The difference is explained below:

	Year ended 31 December 2013 £'000	Five months ended 31 December 2012 £'000
Profit/(loss) on ordinary activities before tax	28	(8)
Profit/(loss) on ordinary activities multiplied by standard blended rate of corporation tax in the UK of 23.25% (Five months ended 31 December 2012: 24%)	7	(2)
Effects of:		
Expenses not deductible for tax purposes	1	25
Group relief	(8)	(23)
Corporation tax for the year	-	-

A number of changes to the UK Corporation Tax system were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015.

**Proximagen Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 December 2013

**6. Investments**

**Investments in subsidiary undertakings**

	Shares	Loan	Capital contributions from share-based payments	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2013	7,466	32,231	1,079	40,776
Additions	-	7,819	-	7,819
<b>At 31 December 2013</b>	<b>7,466</b>	<b>40,050</b>	<b>1,079</b>	<b>48,595</b>
<b>Accumulated Impairment</b>				
At 1 January 2013 and 31 December 2013	(3,668)	-	-	(3,668)
<b>Net book value</b>				
<b>At 31 December 2013</b>	<b>3,798</b>	<b>40,050</b>	<b>1,079</b>	<b>44,927</b>
At 31 December 2012	3,798	32,231	1,079	37,108

The directors believe that the carrying value of the investments is supported by the future discounted cash flows associated with the research and development activities of Proximagen Limited.

Proximagen Group Limited has two subsidiary undertakings: Proximagen Limited (Company number 04977050) and Cambridge Biotechnology Limited (Company number 04221335) which are both incorporated in England and Wales and whose details are summarised below. Minster Research Limited (Company number 04136733) was dissolved in the year.

Name of subsidiary	Class of holding	Proportion held directly	Nature of business
Proximagen Limited	Ordinary	100%	Research & development
Cambridge Biotechnology Limited	Ordinary	100%	Dormant

# Proximagen Group Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

### 7. Debtors

	31 December 2013	31 December 2012
	£'000	£'000
Amounts due within one year:		
Amounts owed by group undertaking	35,000	35,000
Other debtors	24	29
Prepayments and accrued income	40	61
	<u>35,064</u>	<u>35,090</u>

On 17 September 2012, Proximagen Group Limited loaned £35 million to USL Pharma International UK Limited. The repayment date is 16 September 2017 or within 5 working days of written demand from Proximagen Group Limited.

### 8. Creditors: amounts falling due within one year

	31 December 2013	31 December 2012
	£'000	£'000
Trade creditors	2	7
Amounts owed to group undertaking	921	921
Accruals and deferred income	10	29
	<u>933</u>	<u>957</u>

### 9. Called up share capital

	31 December 2013	31 December 2012
	£'000	£'000
<b>Authorised:</b>		
500,000,000 (31 December 2012: 500,000,000) Ordinary shares of 1p each	5,000	5,000
<b>Allotted, issued and fully paid:</b>		
69,619,795 (31 December 2012: 69,619,795) Ordinary shares of 1p each	696	696

# Proximagen Group Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

### 10. Reconciliation of movement in reserves and shareholders' funds

	Ordinary shares	Share premium	Share based payment reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2013	696	81,072	1,135	1,022	83,925
Profit for the year	-	-	-	28	28
Balance at 31 December 2013	<u>696</u>	<u>81,072</u>	<u>1,135</u>	<u>1,050</u>	<u>83,953</u>

### 11. Leasing commitments

The Company's annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	31 December 2013	31 December 2012
	£'000	£'000
Lease expiry:		
In years two to five	<u>67</u>	<u>67</u>

### 12. Related party transactions

The Company has taken advantage of the exemption in FRS 8, 'Related party disclosures' from the requirement to disclose transactions with wholly owned group companies which are party to the transaction. There are no other related party transactions.

### 13. Ultimate parent undertaking

The Company's immediate parent undertaking is USL Pharma International UK Limited, a company registered in England and Wales (No. 08098631), the smallest company in which these accounts are consolidated. The ultimate parent undertaking and controlling party is Upsher-Smith Laboratories Inc, a company incorporated in the United States of America, the largest company in which these accounts are consolidated. Copies of USL Pharma International UK Limited consolidated financial statements can be obtained from the company's registered office, 40 Bank Street, Canary Wharf, London E14 5DS.

### 14. Events after the balance sheet date

There are no reportable events after the balance sheet date.