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# Proximagen Group Limited (formerly Proximagen Group plc)

## FINANCIAL STATEMENTS

for the five month period ended  
31 December 2012



Registered number 05333020

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# Proximagen Group Limited (formerly Proximagen Group plc)

## DIRECTORS OFFICERS AND ADVISERS

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### DIRECTORS

Mark Evenstad  
Tom Burke

### 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

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# Proximagen Group Limited (formerly Proximagen Group plc)

## DIRECTORS' REPORT

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The directors present their report and the audited financial statements of Proximagen Group Limited (the "Company") for the five month period ended 31 December 2012

### PRINCIPAL ACTIVITIES

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

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company's loss for the financial period is £8,000 (Eight months to 31 July 2012 £1,410,000)

On 14 August 2012, USL Pharma International UK Limited, a wholly-owned subsidiary of Upsher-Smith Laboratories Inc, acquired the entire issued share capital of Proximagen Group plc (now known as Proximagen Group Limited), the parent company of Proximagen Limited. As a result, the admission of the Proximagen Group plc shares to trading on AIM was cancelled on 14 August 2012

On 15 August 2012, the Company changed its accounting reference date from 30 November to 31 July and on 5 November 2012 changed its accounting reference date to 31 December. The comparative period in these financial statements is for the eight months ended 31 July 2012

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

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 parent company USL Pharma International UK Limited and these can be found in the directors' report of the USL Pharma International UK Limited financial statements for the period ended 31 December 2012

### 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.

### POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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. Trade creditors at 31 December 2012 represented 7 days of purchases (31 July 2012 9). Suppliers are made aware of the terms of payment and it is the Company's policy to abide by the agreed terms, subject to the terms and conditions being fulfilled by the supplier.

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# Proximagen Group Limited (formerly Proximagen Group plc)

## DIRECTORS' REPORT

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### DIVIDEND

The directors do not recommend the payment of a dividend (31 July 2012 nil)

### DIRECTORS

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

Kenneth Mulvany	(resigned 14 August 2012)
James Hunter	(resigned 14 August 2012)
Peter Allen	(resigned 14 August 2012)
Michael Ashton	(resigned 14 August 2012)
Jackie Hunter	(resigned 14 August 2012)
Mark Evenstad	(appointed 14 August 2012)
Tom Burke	(appointed 14 August 2012)

Qualifying third party indemnity provision is in place for the benefit of all directors of the Company during the financial period and also at the date of approval of the financial statements

### 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



Thomas Burke  
Director

24 September 2013

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# Proximagen Group Limited (formerly Proximagen Group plc)

## DIRECTORS' RESPONSIBILITIES STATEMENT

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The directors are responsible for preparing 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,
- make judgments and accounting estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

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.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Proximagen Group Limited (formerly Proximagen Group plc)

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

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We have audited the financial statements of Proximagen Group Limited for the five months ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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).

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 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 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.

### 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 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 annual 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 financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the period 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.

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

In our opinion the information given in the Directors' Report for the financial year 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, 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, 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.



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

30 September 2013

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# Proximagen Group Limited (formerly Proximagen Group plc)

## PROFIT AND LOSS ACCOUNT for the five month period ended 31 December 2012

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	Note	Five month period ended 31 December 2012 £'000	Eight month period ended 31 July 2012 £'000
TURNOVER	2	100	264
Gross profit		100	264
Administrative expenses		(250)	(2,065)
OPERATING LOSS		(150)	(1,801)
Interest receivable and similar income		142	391
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(8)	(1,410)
Tax on loss on ordinary activities	5	-	-
LOSS FOR THE FINANCIAL PERIOD	10	(8)	(1,410)

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

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

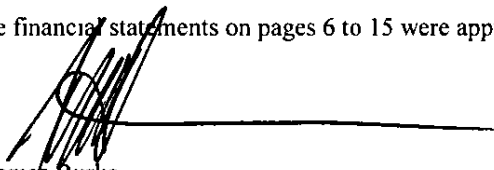
No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account

# Proximagen Group Limited (formerly Proximagen Group plc)

## BALANCE SHEET As at 31 December 2012

	Note	31 December 2012 £'000	31 July 2012 £'000
<b>Fixed assets</b>			
Investments	6	37,108	31,594
<b>Current assets</b>			
Debtors			
Amounts falling due within one year	7	35,090	316
Cash at bank and in hand		12,684	45,881
		47,774	46,197
Creditors amounts falling due within one year	8	(957)	(1,833)
<b>Net current assets</b>		<b>46,817</b>	<b>44,364</b>
<b>Total assets less current liabilities</b>		<b>83,925</b>	<b>75,958</b>
<b>Net assets</b>		<b>83,925</b>	<b>75,958</b>
<b>Capital and Reserves</b>			
Called up share capital	9	696	631
Share premium account	10	81,072	73,498
Share-based payment reserve	10	1,135	799
Profit and loss account	10	1,022	1,030
<b>Total shareholders' funds</b>	10	<b>83,925</b>	<b>75,958</b>

The financial statements on pages 6 to 15 were approved by the Board of Directors on 24 September 2013 and signed on its behalf by

  
Thomas Burke  
Director



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# Proximagen Group Limited (formerly Proximagen Group plc)

## NOTES TO THE FINANCIAL STATEMENTS

For the five month period ended 31 December 2012

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### 1. Accounting policies

#### 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

#### 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.

#### 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 period.

#### 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.

#### 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.

#### 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 (formerly Proximagen Group plc)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the five month period ended 31 December 2012

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### 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.

### 1. Accounting policies (continued)

#### LEASES AND HIRE PURCHASE COMMITMENTS

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

#### 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.

### 2 Turnover

An analysis of the Company's turnover is as follows:

	Five month period ended 31 December 2012	Eight month period ended 31 July 2012
	£'000	£'000
Service fees	100	264

All sales were made in the United Kingdom.

### 3. Loss on ordinary activities before taxation

	Five month period ended 31 December 2012	Eight month period ended 31 July 2012
	£'000	£'000
Loss on ordinary activities before taxation after charging		
Transaction costs*	105	1,425
Operating lease charges – other	24	38

\*The Transaction costs relate to the acquisition of Proximagen Group Limited (formerly Proximagen Group plc) by Upsher-Smith Laboratories Inc.

# Proximagen Group Limited (formerly Proximagen Group plc)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the five month period ended 31 December 2012

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### 3. Loss on ordinary activities before taxation (continued)

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

During the period, the Company obtained the following services from the Company's auditor

	Five month period ended 31 December 2012 £'000	Eight month period ended 31 July 2012 £'000
Fees payable to the Company's auditor for the audit of the financial statements	5	30
Fees payable to the Company's auditor for other services		
Tax compliance services	3	8
Other services	-	19
	<u>8</u>	<u>57</u>

### 4. Directors' emoluments

The aggregate emoluments of the directors of the Company are shown below. The aggregate emoluments shown below include accrued bonus payments for the period.

	Five month period ended 31 December 2012 £'000	Eight month period ended 31 July 2012 £'000
Aggregate emoluments	<u>5</u>	<u>121</u>

James Hunter and Kenneth Mulvany were paid by Proximagen Limited until they resigned on 14 August 2012.

The directors appointed on 14 August 2012 are paid by the ultimate parent company.

Peter Allen and Michael Ashton exercised options on 9 August 2012.

There were no employees other than the directors during the period (Eight month period ended 31 July 2012 Nil).

# Proximagen Group Limited (formerly Proximagen Group plc)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the five month period ended 31 December 2012

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### 5. Tax on loss on ordinary activities

	Five month period ended 31 December 2012 £'000	Eight month period ended 31 July 2012 £'000
Tax on loss on ordinary activities	-	-

#### Factors affecting tax for the period

The tax assessed for the period is different to the blended standard rate of corporation tax in the UK 24 %  
The difference is explained below

	Five month period ended 31 December 2012 £'000	Eight month period ended 31 July 2012 £'000
Loss on ordinary activities before tax	(8)	(1,410)
Loss on ordinary activities multiplied by standard blended rate of corporation tax in the UK of 24% (Eight months ended 31 July 2012 25.5%)	(2)	(360)
Effects of		
Expenses not deductible for tax purposes	25	361
Group relief	(23)	(1)
Corporation tax for the period	-	-

A number of changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. Certain of these tax changes, including the reduction in the main rate of corporation tax to 23% from 1 April 2013, were substantively enacted in the Finance Act 2012 in July 2012.

Further changes to the UK Corporation Tax system were substantively enacted as part of the Finance Bill 2013 on 3 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and 20% from 1 April 2015. As the changes had not been enacted at the balance sheet date, their effects are not included in these financial statements.

# Proximagen Group Limited (formerly Proximagen Group plc)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the five month period ended 31 December 2012

### 6. Investments

	Investments in subsidiary undertakings		Capital contributions from share-based payments	Total
	Shares	Loan		
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 August 2012	7,466	27,053	743	35,262
Additions	-	5,178	336	5,514
At 31 December 2012	<b>7,466</b>	<b>32,231</b>	<b>1,079</b>	<b>40,776</b>
<b>Accumulated Impairment</b>				
At 31 December 2011 and 1 August 2012	<b>(3,668)</b>	-	-	<b>(3,668)</b>
<b>Net book value</b>				
At 31 December 2012	<b>3,798</b>	<b>32,231</b>	<b>1,079</b>	<b>37,108</b>
At 31 July 2012	3,798	27,053	743	31,594

During the period a net investment of £5,178,000 was made in the Group's wholly owned subsidiary Proximagen Limited. The directors believe that the carrying value of the investments is supported by their underlying net assets.

Proximagen Group Limited (formerly Proximagen Group plc) has three subsidiary undertakings Proximagen Limited (Company number 04977050), Cambridge Biotechnology Limited (Company number 04221335) 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 Research Limited	Ordinary	0%	In liquidation

# Proximagen Group Limited (formerly Proximagen Group plc)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the five month period ended 31 December 2012

### 7. Debtors

	31 December 2012	31 July 2012
	£'000	£'000
Amounts due within one year	£'000	£'000
Amounts owed by ultimate parent	35,000	-
Other debtors	29	187
Prepayments and accrued income	61	129
	<u>35,090</u>	<u>316</u>

On 17 September 2012, Proximagen Group Limited loaned £35 million to USL Pharma International UK Limited. The repayment date is 16 September 2015 or within 5 working days of written demand from Proximagen Group Limited.

### 8 Creditors amounts falling due within one year

	31 December 2012	31 July 2012
	£'000	£'000
Trade creditors	7	115
Amounts owed to subsidiary undertaking	921	921
Other taxation and social security costs	-	7
Accruals and deferred income	29	790
	<u>957</u>	<u>1,833</u>

### 9. Called up share capital

	31 December 2012	31 July 2012
	£'000	£'000
<b>Authorised</b>		
500,000,000 (31 July 2012: 500,000,000) Ordinary shares of 1p each	5,000	5,000
<b>Allotted, issued and fully paid:</b>		
69,619,795 (2011: 63,119,601) Ordinary shares of 1p each	696	631

On 9 August 2012, the Company issued 6,500,194 new Ordinary shares of 1p each resulting from the exercise of share options prior to the acquisition of the entire issued share capital by USL Pharma International UK Limited. The nominal value of the shares was £65,000 and the consideration received was £7,639,000.

There are no options outstanding over the shares in Proximagen Group Limited at 31 December 2012.

# Proximagen Group Limited (formerly Proximagen Group plc)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the five month period ended 31 December 2012

### 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 December 2011	631	73,498	681	2,440	77,250
Loss for the eight month period	-	-	-	(1,410)	(1,410)
Share-based payments	-	-	118	-	118
<b>Balance at 31 July 2012</b>	<b>631</b>	<b>73,498</b>	<b>799</b>	<b>1,030</b>	<b>75,958</b>
Loss for the five month period	-	-	-	(8)	(8)
Issue of share capital	65	7,574	-	-	7,639
Share-based payments	-	-	336	-	336
<b>Balance at 31 December 2012</b>	<b>696</b>	<b>81,072</b>	<b>1,135</b>	<b>1,022</b>	<b>83,925</b>

### 11 Leasing commitments

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

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

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# Proximagen Group Limited (formerly Proximagen Group plc)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the five month period ended 31 December 2012

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### 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 ultimate parent undertaking and controlling party is Upsher-Smith Laboratories Inc, a company incorporated in the United States of America. 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.