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inquisitive?

Proximagen Neuroscience plc
Annual Report & Accounts 2009

Proximagen is a biotechnology company committed to developing novel drugs and innovative new treatments for disorders of the central nervous system (CNS), bringing new hope to patients and value to our shareholders.

Established in 2003, the Company initially focused on developing treatments for patients with neurodegenerative diseases, and in particular Parkinson's disease. Following the successful partnering of its PRX1 Parkinson's disease programme in 2008 and its fund-raising in 2009, the Company is expanding its development pipeline by acquiring programmes that address broader CNS disorders and are in later stages of development.

descriptive

Contents

transformative

Proximagen's objective is to become one of the world's leading companies developing therapeutics for patients suffering from diseases of the CNS. To achieve this, the Company is establishing a pipeline of CNS programmes spanning all phases of development in key therapeutic areas such as Parkinson's disease, epilepsy, cognition and neuropathic pain.

We are taking a flexible approach to how far we develop our programmes before partnering or monetising them. In taking these decisions, we are mindful of a number of factors, including development risk, the progress of competitor programmes, our financial position and our belief that the retention of marketing rights in certain territories is an important long-term value driver for the Company.

Programme portfolio

Proximagen's pipeline now consists of programmes in four main therapeutic areas. Many of these programmes have been acquired over the past nine months, coming through the acquisitions of Cambridge Biotechnology Limited (CBT) and Minster Pharmaceuticals plc (Minster).

Over the coming months we will continue to seek out acquisition and consolidation opportunities in the domestic and international markets. We are confident that further attractive programmes will become available and we will be deploying our scientific and commercial due diligence expertise to evaluate these opportunities.

acquisitive

Our pipeline development strategy reflects one of our key commercial objectives, namely to retain marketing rights to certain programmes in key territories We therefore take a flexible approach to how far we develop our programmes and aim to share the development cost and risk with pharmaceutical partners where appropriate

progressive

The central nervous system

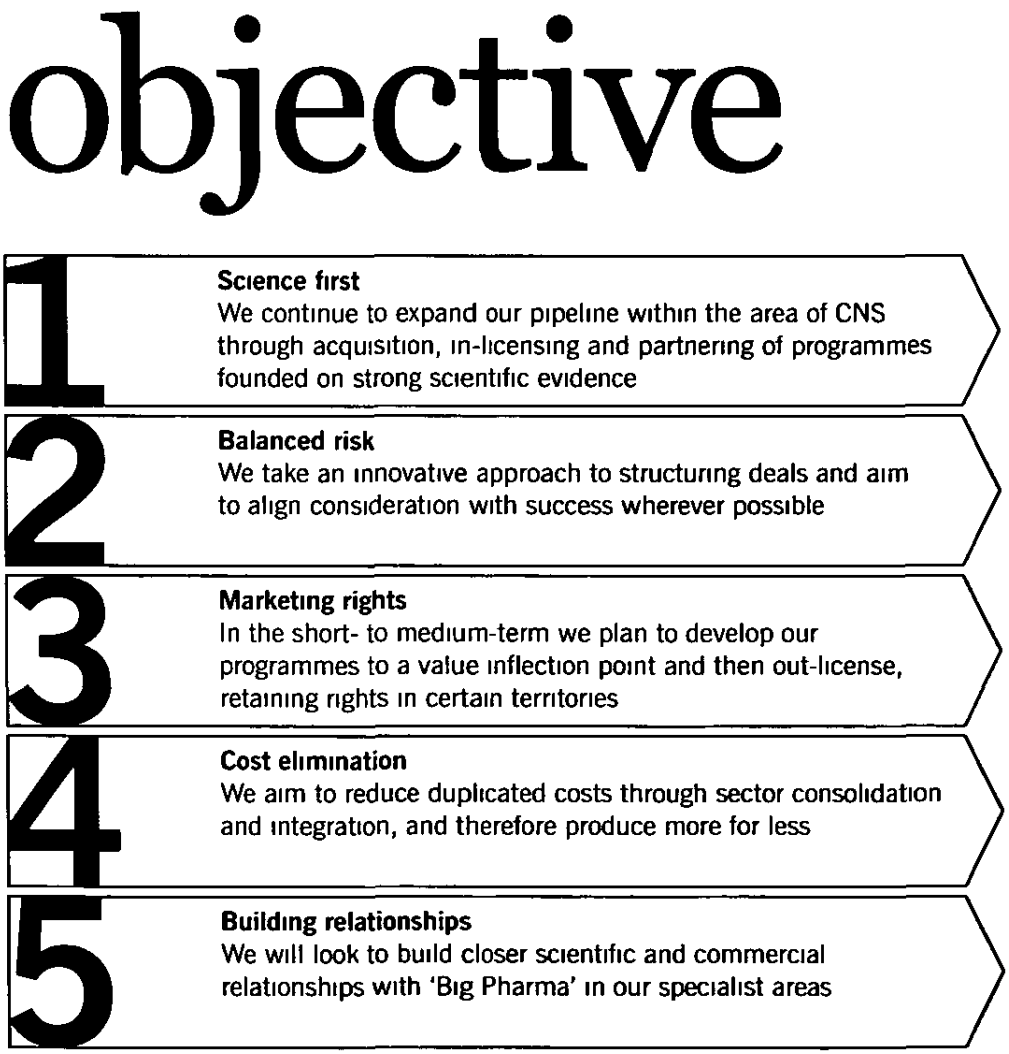
The central nervous system, comprising the brain and spinal cord, controls all body functions and represents one of the final frontiers of research into a range of neurological disorders and illnesses Most diseases of the CNS are poorly treated, creating a need for better therapeutics in a growing patient population

The CNS is associated with the control of the body's functions and endows us with our consciousness, personality and intellect The CNS integrates sensory, cognitive and motor messages to form information flow that makes up the basis of learning, emotions and reasoning The complexity of the brain and the changes that take place in diseases such as Alzheimer's disease and Parkinson's disease are a challenge for the discovery of novel therapeutic approaches to these increasingly large patient groups where ageing plays a very significant role This is why Proximagen's research is centred on increasing understanding of these disorders and developing novel and unique drug molecules for their treatment

informative

Our objective and strategy

Our objective is to become one of the world's leading companies developing therapeutics for patients suffering from disorder of the CNS. To achieve this, we have developed five strategic priorities that we believe will help us achieve our objectives.



Parkinson's disease

Parkinson's disease is a progressive and degenerative neurological condition which impairs a patient's everyday movement and speech It occurs as a result of loss of nerve cells in the substantia nigra, the area of the brain responsible for producing dopamine Dopamine is a chemical that is critical for co-ordinating and determining movement and when dopamine-producing cells are depleted, parts of the brain are unable to function normally, leading to movement and speech impairment Dopamine replacement therapy (L-DOPA, dopamine agonists) works well at first but drug effect is limited by poor absorption and a short duration of effect, as well as by the onset of involuntary movements (dyskinesia), and drug effect also lessens as the disease advances

restrictive

rigidity
freezing
stiffness
slowness
tremor
posture

The symptoms of Parkinson's disease include tremors or trembling, and maintaining balance and co-ordination People with Parkinson's disease may have trouble standing or walking, stiffness and general slowness Over time, a person with Parkinson's disease may have trouble smiling, talking, or swallowing Their faces may appear flat and unable to express their feelings Sometimes people with the disease can have trouble thinking and remembering, too

Parkinson's disease is a very individual condition, with each person experiencing different symptoms At present there is no cure for Parkinson's disease but researchers and scientists, including those at Proximagen, are steadily making advances in understanding the condition, its causes, and how best to treat it

Epilepsy

Epilepsy is a chronic neurological disorder characterised by a tendency to have recurrent seizures (fits) A seizure is caused by a sudden burst of excess electrical activity in the brain, causing a temporary disruption in the communication between brain cells This disruption results in severely abnormal brain function and consequent physical manifestations It is the most common serious neurological condition in the UK and possibly the world Epilepsy is more common in children and people over 65, but anyone can develop epilepsy There can be a known cause for a person's epilepsy, such as a genetic predisposition, head injury, infections like meningitis, the brain not developing properly, a stroke, or a scar or tumour on the brain

The main treatment for epilepsy is the use of anti-convulsant medications, many of which have negative side effects However, since there are many sub-types of epilepsy, changes of medication are common and combination/add-on therapies are frequently used

disruptive

self-esteem
dysfunction
exhaustion
aura
focal
seizures

Because of the difficulty in predicting seizures, the daily activities of a person suffering from epilepsy, such as driving and safety at work, can be severely affected Epilepsy can manifest itself in a number of ways, with motor, sensory, autonomic and psychological symptoms prevalent amongst sufferers.

Alzheimer's disease and cognitive decline

Alzheimer's disease, the most common form of dementia, is a progressive condition During the course of the disease, the function of nerves, brain cells and neurotransmitters are increasingly impaired, while plaques and bundles develop in the brain These plaques and bundles in turn destroy more connections between the brain cells, which aggravates the condition Consequently, there is a gradual deterioration in elements of memory, attention and information processing The complex changes that occur in the areas of the brain responsible for these faculties makes Alzheimer's disease a challenging illness to treat At this time only the mild, early stages of the disease respond to the available drug treatments (cholinesterase inhibitors, memantine) and nothing currently addresses the more complex components of the illness or stops its progression

regressive

It happens to everyone – we all have had an occasional difficulty remembering a word or someone's name Mild forgetfulness and memory delays are often part of the normal ageing process Some individuals simply need more time to learn a new fact or to remember an old one However, those with Alzheimer's disease will find these symptoms progressing in frequency and severity When memory and other problems with thinking consistently begin to affect the usual level of functioning, then families begin to suspect that something more than 'normal ageing' is occurring

No drug treatments can currently provide a cure for Alzheimer's disease However, drug treatments have been developed that can improve symptoms Much research and development is underway and it is hoped that such drug candidates may slow down or stop the rate of progression of the disease

memory
recognition
disturbances
apathy
decisions
agitation

Neuropathic pain

Neuropathic pain is a group of disparate disorders of the nervous system which give rise to the sensation of pain, usually in the absence of an external stimulus It is caused by damage to the nervous system, for example by high glucose levels in the blood (diabetic neuropathic pain), virus induced damage (post-herpetic neuralgia, HIV pain), chemotherapy, cancer, or physical trauma (e g in phantom limb pain) Neuropathic pain is a chronic state which may result in a group of symptoms including 'pins and needles', extreme sensitivity or complete lack of sensation

Approximately 5% of the population suffers from neuropathic pain, and it is poorly treated by current medications

sensitive

Neuropathic pain affects sufferers in a variety of ways, almost all of which give excessive discomfort Sufferers can have continuous and/or periodic episodes of pain with the latter being likened to receiving an electric shock Other symptoms of neuropathic pain include burning sensation or coldness, numbness and itching

sensation
touch
shock
tingling
ache
chronic

Chairman's statement

I am pleased to report that your Company made strong progress during the year towards achieving its long-term goal of becoming one of the world's leading biotechnology companies developing drugs to address diseases of the central nervous system

As I mentioned in my statement last year, the acquisition and in-licensing of clinical stage programmes will be key components for enabling management to achieve its growth goals, and the Board has been pleased to see material progress in this area over the past nine months A major factor underpinning this progress was the £50 million investment in the Company which existing and new shareholders made in June last year, in what were challenging economic conditions We were very encouraged that our major shareholders share our view that there is a real opportunity to capitalise on the investment that has been made in the biotechnology sector over the past few years and the Company is working hard to realise this opportunity

Since the fund-raising, the Company has made two company acquisitions – Cambridge Biotechnology Limited (CBT) in November 2009 and Minster Pharmaceuticals plc (Minster) in March 2010, as well as several programme acquisitions Collectively, these acquisitions have strengthened the Company's drug development pipeline which has grown considerably from five programmes this time last year The acquisitions have been on commercial terms that did not involve significant up-front payments, allowing the Company to remain very well funded The management team will continue to act prudently in its use of funds and is confident that it can generate value from these programmes with a comparatively much-reduced cost base

The Company's strategy of managing risk by partnering programmes on a case-by-case basis is, we believe, an appropriate one for a company of Proximagen's current size and stage of development and management will continue to take a flexible and innovative approach to developing potential partnerships and collaborations

There have been some recent changes to Proximagen's Board of Directors and I am very pleased to welcome Jackie Hunter as a new non-executive director Jackie is highly regarded in the field of neurology and we look forward to her bringing her experience to bear as the Company builds on its progress to date In addition, Peter Jenner and Bruce Campbell have both stepped down as directors and I would like to take this opportunity, on behalf of the Company, to reiterate my thanks to them for their service to the Board

Proximagen has entered 2010 in a strong position There is still much work to be done in acquiring and developing further programmes and developing those that are already in our pipeline The Company remains excited by the opportunity that exists to build a world-class, sustainable biotechnology company addressing the needs of patients with diseases of the central nervous system We expect the next 12-24 months to be transformational for the Company and look forward to updating shareholders on our progress over the coming months

Peter Allen
Non-executive Chairman
31 March 2010

Chief Executive's review

Overview
We were pleased with our performance in 2009, which was a year of unprecedented corporate activity and one in which we made a notable transition from specialising in the development of mainly neurodegenerative disease-related programmes to drug development in the wider area of diseases of the brain and nervous system

In early 2009, we outlined a business strategy to build value through asset consolidation within the biotechnology sector We noted that the UK biotechnology sector has historically been a world leader, pioneering some truly life-changing scientific discoveries and, as such, has historically attracted a large amount of investment capital from each of the government, institutional and private investors, venture capitalists and academia However, despite this heritage and funding, proportionally few companies have delivered value to investors, leaving little investor appetite to continue to finance biotechnology companies In June 2009, the Company raised £50 million to fund the acquisition of CNS companies and drug development programmes The fund-raising was one of the largest in the biotechnology sector in the past decade and uniquely positioned Proximagen within this sector As your Company continues to deliver on its acquisition and consolidation strategy, our portfolio has grown from five programmes at the beginning of 2009 to a much broader portfolio of programmes at varying stages of development, from discovery, through pre-clinical and clinical development

Consolidation strategy
Proximagen intends to continue to use the proceeds of the fund-raising, and work in alliance with companies via a number of different approaches, to acquire, develop and commercialise innovative drug candidate programmes in diseases of the CNS We believe that significant value creation opportunities can arise by building critical mass, reducing the cost base, and focusing resources on a more promising pipeline where tough decisions will be taken to discontinue weak programmes

We are taking a flexible approach to how far we develop our programmes before partnering or otherwise monetising them In taking these decisions, we are mindful of a number of factors, including development risk, the progress of competitor programmes, our financial position and our belief that the retention of marketing rights in certain territories is an important long-term value driver

Science first, always
Our commitment to science is fundamental We look for programmes that represent true scientific innovations breaking new ground in treatment Using this standard as a development benchmark makes things more challenging, but demonstrates our commitment to pursuing only those opportunities that improve upon current therapies in meaningful ways and represent the best chance of generating significant commercial value

Our research and development (R&D) goal is to pursue CNS therapeutic possibilities wherever the scientific trail leads and, as with everything else we do, our approach to such a goal is disciplined, focused and strategic

Proximagen's R&D programmes are grounded in the neurological sciences, where advancing technology and rapidly expanding knowledge allows the Company to pursue a broader therapeutic footprint In recent years, Proximagen's internal development pipeline has increased in size and has grown more diverse, reflecting the Company's ability to pursue treatments in various indications including cognitive decline and neuropathic

Our R&D goal is to pursue CNS therapeutic possibilities wherever the scientific trail leads and, as with everything else we do, our approach to such a goal is disciplined, focused and strategic.

pain We are proud of the calibre of our internal R&D, where we have designed our drug development programmes to provide effective treatments over the entire duration of the illnesses and to avoid side-effects associated with existing therapies

Of course, we recognise that Proximagen is not the only place for great science Great ideas with the potential to deliver life-changing therapeutics will feed Proximagen's growth and therefore we look forward to collaborations and M&A activity continuing to play an important role in our pipeline development in 2010 and beyond

Proximagen is well-suited to be the partner of choice in the area of CNS, having the capabilities and financial strength of a much larger company We can offer potential partners, or their investors, the resources needed to support a drug candidate as it advances from the laboratory and through the clinic At the same time, Proximagen is an entrepreneurial company Therefore, we feel a strong sense of urgency to act decisively with each opportunity, focusing development efforts on programmes showing the most visible commercialisation opportunities When promising partnership opportunities arise, Proximagen can move quickly

Of course, a carefully constructed R&D strategy is meaningless without results Through a combination of internal research, partnerships and acquisitions, we have a rich and growing pipeline in four key therapeutic areas – Parkinson's disease, epilepsy, cognition and neuropathic pain

Parkinson's disease

Parkinson's disease (PD) is distinguished from the other neurodegenerative illnesses by the availability of symptomatic treatment L-DOPA remains the 'gold standard' drug providing relief from the difficulties with movement throughout the course of the disease In PD, there is major unmet need as the effectiveness of drugs in controlling the motor symptoms declines with disease progression Also, non-motor symptoms, such as dementia appear and major motor and psychiatric side-effects become apparent as a result of treatment

Our PD programmes are designed to meet this unmet medical need by complementary approaches Firstly, the PRX1 programme, partnered with Upsher-Smith, is designed to generate a prodrug of L-DOPA that alleviates the parkinsonian condition whilst minimising the dyskinesias associated with current treatment options Our second approach makes use of selective D-1 agonists These drug candidates have shown their ability by improving motor function and by reversing deficits in locomotor activity and motor disability in models of disease Our third approach to treating side-effects of existing therapies aims to demonstrate a new way of reducing dyskinesias which are a major disabling side-effect of the treatment of PD, affecting approximately 40% of the patient population

Epilepsy

Epilepsy is a tendency to have recurrent seizures caused by a sudden burst of excess electrical activity in the brain Currently patients have their seizures controlled with anti-epileptic drugs (AEDs) which act in some way to control the excitability of the brain, leaving a large proportion of patients refractory to standard treatments As a result, more aggressive use of AEDs, immunomodulatory therapies and surgical options are often considered

Great ideas with the potential to deliver life-changing therapeutics will feed Proximagen's growth and therefore we look forward to collaborations and M&A activity continuing to play an important role in our pipeline development in 2010 and beyond.

Tonabersat is a drug candidate with a novel mode of action giving hope of a new treatment option for patients suffering from epilepsy Tonabersat is known to be safe and well-tolerated having been dosed in over 450 patients for up to a year and having been subject to significant R&D investment by both GSK and Minster Tonabersat recently completed a year-long non-clinical testing programme undertaken by the National Institute of Neurological Disorders and Stroke (NINDS) at the National Institute of Health (NIH) in the United States The prestigious NINDS Red Book report concluded that, at doses devoid of behavioural toxicity, tonabersat possesses an anti-convulsant profile in models predictive of efficacy in patients who experience tonic-clonic seizures The Red Book report also commented that the results obtained in the evaluation of tonabersat suggest that this compound may be similar in efficacy to three of the leading anti-epilepsy drugs

Proximagen's second epilepsy programme activates 5HT1a receptors in the brain Loss of this receptor has been implicated in epilepsy and is associated with the brain atrophy that occurs in epileptic patients with depression Our drug candidate PRX00023 was shown to be safe and well tolerated in over 400 patients and has been subject to a significant R&D investment to date Proximagen intends to open discussions with funding agencies in the US to support a broader clinical development programme for this candidate

Cognition

Dementia is a form of cognitive impairment and is found in about 5% of those between the ages of 65 and 74 and 40% of those aged 85 and older The most common type of dementia is Alzheimer's disease (AD) but dementia is also commonly found in PD patients There are no treatments available to reverse the loss of cognitive function observed in these conditions although there are medications that offer short-term improvements in cognitive function

Proximagen has two programmes designed to improve cognition. Our first approach is a proprietary programme comprised of a set of 5HT6 antagonists from which the preferred lead is entering pre-clinical development Our second approach to cognitive improvement is PRX5, our D1 agonist programme for PD Cognitive decline is often seen in PD and our D1 agonists have demonstrated improved cognitive performance in pre-clinical models of cognition

Neuropathic pain

Neuropathic pain is caused by a problem with one or more nerves There is often no 'injury' or tissue damage that triggers the pain However, the function of the nerve is affected in a way that it sends pain messages to the brain Neuropathic pain is less likely to be helped by traditional painkillers However, other types of medicines such as antidepressant or anti-epileptic medicines can ease the pain by actions that are separate to their action on depression and epilepsy

Anti-epileptic medicines (such as gabapentin, pregabalin, and sodium valproate) can ease the pain by stopping nerve impulses causing pains Proximagen has two clinical stage epilepsy programmes that are being screened for their anti-neuropathic pain properties We also have a number of pre-clinical and discovery programmes in the area of neuropathic pain, including TrkA. Our novel small molecule TrkA antagonist is highly efficacious in models of pains This programme may have several advantages over competitor biological programmes of the same target

The Red Book report also commented that the results obtained in the evaluation of tonabersat suggest that this compound may be similar in efficacy to three of the leading anti-epilepsy drugs.

Chief Executive's review *continued*

Operational review
The Group's operations expanded in 2009 with the acquisition of CBT, based just outside Cambridge, which also brought 17 people into the Group With increases expected in the number of our commercial and clinical staff, we anticipate having to relocate some of our operations from present facilities at King's College London We will, however, retain a laboratory and small office at King's College which will remain the focus for our neurodegenerative R&D

We are pleased to report that in 2009, the National Parkinson Foundation again designated our academic facility as a Parkinson's disease Center of Excellence

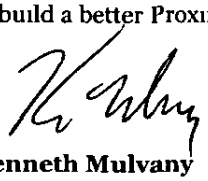
Over the past six months, Proximagen has significantly expanded its patent portfolio As a result of the recent acquisitions, the Group now owns the rights to 33 families of patents and patent applications relating to our drug programmes in pre-clinical and clinical development

Outlook: Moving forward with confidence
We anticipate exciting times ahead, though we will approach our investments in development programmes with a keen eye to mitigating risk through partnerships and collaborations with pharmaceutical partners where appropriate

We have broadened our pipeline, both in terms of therapeutic indications addressed and the development profile, and we have a flexible, scalable operating infrastructure that can accommodate further programmes without replicating overhead costs We look forward to building on this progress with the expectation of reporting significant events in due course, which will reinforce our ability to generate value from our balanced and focused pipeline

The key to our success is our people and we are grateful for their continued contribution Their knowledge and expertise is important but it is their passion to make a difference to the lives of people with illness that really counts Our thanks also go to our business partners for the confidence they have shown in us and for their continuous support, as well as the Board of Directors for their healthy challenge and support

Importantly, we would like to thank again our investors for their trust and for sharing our enthusiasm to build a better Proximagen



Kenneth Mulvany
Chief Executive Officer
31 March 2010

The key to our success is our people and we are grateful for their continued contribution. Their knowledge and expertise is important but it is their passion to make a difference to the lives of people with illness that really counts.

Financial review

Financing
2009 was the second consecutive year that Proximagen succeeded in raising equity finance, with the £50 million fund-raising in June 2009 following the $6 million investment by Upsher-Smith Laboratories Inc , in October 2008 The more recent of the equity issues was undertaken to facilitate the acquisition and development by the Group of drug development programmes that present attractive commercialisation opportunities

Cash flow
Our cash balances at the year end stood at £55 6 million (2008 £10 2 million), comprising held-to-maturity financial assets of £20 0 million (2008 £6 7 million) and cash of £35 6 million (2008 £3 5 million) We received interest from funds invested of £0 37 million (2008 £0 43 million), a year-on-year decline which, given the material increase in average cash balances, reflected the sharply lower interest rates prevailing in 2009

The Group received R&D tax credits in 2009 of £0 27 million and expects to reclaim some £0 52 million in 2010

Income statement
Research and development expenditure totalled £2 8 million (2008 £2 3 million) We expect our R&D expenditure in general to accelerate rapidly from 2009 levels as we begin to invest in the programmes we have acquired in recent months

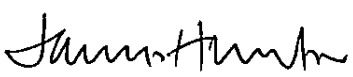
Administrative expenses in 2009 totalled £2 1 million, an increase on 2008 levels of expenditure of £1 4 million The year-on-year increase has arisen from legal and advisory fees incurred in undertaking acquisitions, and fees in respect of recruitment and the ensuing salary costs

The loss after tax was £3 2 million (2008 loss of £2 3 million) and the loss per share was 8 7p (2008 loss of 11 4p) The reduction in the loss per share, despite the increase in the overall loss after tax, is explained by the increase in the weighted average number of shares in issue in 2009

Balance sheet
Net assets at 30 November 2009 amounted to £54 2 million (2008 £8 3 million) The principal movements in the balance sheet over the period were as follows

- Trade and other receivables the £1 4 million increase in the balance from £0 3 million to £1 7 million relates predominantly to a receivable owing to the Group by the vendor of the company acquired by the Group during the year under the terms of the Sale and Purchase agreement signed in relation to that acquisition
- Trade and other payables the £1 2 million increase in the balance from £2 7 million to £3 9 million relates predominantly to an accrual by the company acquired by the Group during the year for certain expenses incurred at the time of completion of the acquisition, and for which the Group will be repaid by the vendor
- The increase of £45 4 million in the combined balance of Other financial assets and Cash and cash equivalents from £10 2 million to £55 6 million over the year is accounted for as follows
  - issue of new equity, raising £49 0 million, net of expenses,
  - cash used in operations of £4 2 million (2008 £1 2 million outflow),
  - interest received of £0 3 million (2008 £0 6 million), and
  - R&D tax credits received of £0 3 million (2008 £0 4 million)

IFRS
This is the second annual report for the Group presented under International Financial Reporting Standards as adopted by the European Union The financial statements of the parent Company continue to be prepared in accordance with UK Generally Accepted Accounting Practice and are set out on pages 47 to 50 This Financial Review should be read in conjunction with the consolidated financial statements of the parent Company, Proximagen Limited and Cambridge Biotechnology Limited (together "the Group") and the notes thereto on pages 26 to 46



James Hunter
Finance Director
31 March 2010

Directors and advisers

Peter Allen
Non-executive Chairman
Peter joined Proximagen as Chairman in February 2009 and brings a wealth of experience to the role Peter has held a number of senior roles in the biotechnology industry having been chief financial officer of Celltech Group plc between 1992 and 2004 He also currently serves as non-executive chairman on the boards of ProStrakan Group plc and Chroma Therapeutics Limited Peter is a chartered accountant and his early career included financial controller roles at Associated British Ports and L'Oreal (UK) Most recently, he was for four years until April 2009 chief financial officer of Abacus Group plc, a UK-listed company recently acquired by a US competitor in a recommended cash offer

Kenneth Mulvany
Chief Executive Officer
Kenneth joined Proximagen in April 2004 as Chief Executive where, under his leadership, Proximagen has grown from a privately held company with five employees to a publicly traded, leading biotechnology company with an exciting pipeline of drug candidates Kenneth began his career at Scripps Research Institute and gained pharmaceutical industry experience at Merck Prior to Proximagen, Kenneth played a key role in developing several successful high-tech start-ups He brings over 15 years of biotechnology and business expertise to the Group

James Hunter
Finance Director and Company Secretary
James joined the Group in January 2005 as Financial Controller and was subsequently appointed to the Board in February 2006 James joined Proximagen after spending six years in the corporate finance team at Ernst & Young where he worked in mergers and acquisitions and corporate restructuring James has an MBA from the Cranfield School of Management

Michael Ashton
Non-executive Director
Michael joined the Board in December 2005 He has more than 30 years' experience in the pharmaceutical industry having worked for Merck Inc , Pfizer Inc , Purepac Inc , Faulding Inc and, latterly, SkyePharma plc as chief executive Michael is also a non-executive director of Hikma Pharmaceuticals plc, Transition Therapeutics Inc and Phosphagenics Limited

Jackie Hunter
Non-executive Director
Jackie joined the Board in January 2010 She is currently the senior vice-president and head of science environment development at GlaxoSmithKline (GSK), and until March 2008 she was the senior vice-president and Head of the Neurology & GI Centre of Excellence for Drug Discovery (CEDD) at GSK, during which time the CEDD delivered over 15 clinical proofs of concept studies with a number of transitions into late phase development

Jackie is also currently chair of the Innovation Board of the Association of the British Pharmaceutical Industry, chair of Research Directors' Group of the European Federation of Pharmaceutical Industries and Associations, and a member of the BBSRC Council She is also a visiting professor of the Institute of Psychology at King's College London and the Royal London Medical School, and an honorary research associate at Royal Holloway College, University of London

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Registered in England & Wales
No 05333020

Directors' report

Financial statements
The directors present their report and financial statements for the Company and Group for the year ended 30 November 2009

Principal activities
The principal activity of Proximagen Neuroscience plc and its subsidiaries is the discovery and development of therapeutic treatments for diseases of the central nervous system

Business review
A detailed review of the business, its results and future direction is included in the Chairman's Statement and the Chief Executive's Review

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
Whilst the Group's drug development programmes are progressing to plan, the drugs in development remain subject to further clinical testing to demonstrate efficacy and safety to the satisfaction of the relevant regulatory bodies such as the Food and Drug Administration and the European Medicines Agency

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 UK 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 but the contribution from its service business and the returns on its invested cash deposits also contribute positively to its ongoing funding Details relating to exposure to financial instrument risks are provided in Note 17

Key performance indicators
The Board employs a number of key performance indicators to monitor performance of the business The key financial performance indicators include the levels of research and development expenditure compared with the progress of the programmes The operational performance indicators include reaching development milestones, retaining those employees who are rated highly in Proximagen's performance management process and the utilisation levels of scientific staff

Research and development
Details of the Group's research and development programmes can be found in the Chief Executive's Review on pages 11 to 14

Charitable and political donations
The Group made no charitable or political donations in the year under review (2008 £Nil)

Dividends
The directors are unable to recommend the payment of a dividend (2008 £Nil)

Directors
The following directors held office during the year
Peter Allen (appointed 2 February 2009)
Michael Ashton
Nigel Whittle (resigned 2 February 2009)
Bruce Campbell (resigned 29 January 2010)
Peter Jenner (resigned 29 January 2010)
Kenneth Mulvany
James Hunter

Jackie Hunter was appointed a director on 29 January 2010

Peter Allen and James Hunter retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting. Jackie Hunter offers herself for re-election at the Annual General Meeting

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

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 in office at the date of this report are detailed below:

- Peter Allen is the non-executive chairman of ProStrakan Group plc and Chroma Therapeutics Limited
- Michael Ashton is a non-executive director of Transition Therapeutics Inc., Hikma Pharmaceuticals plc and Phosphagenics Limited.
- Jackie Hunter is a non-executive director of Glaxo Wellcome Manufacturing Pte Ltd.

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 30 November 2009 were as follows

	30 November 2009 Number of shares	30 November 2008* Number of shares
Peter Jenner	**1,802,000**	1,800,000
Kenneth Mulvany	**783,568**	781,568
Bruce Campbell	**69,567**	67,567
Michael Ashton	**26,384**	20,384
James Hunter	**5,000**	–
Peter Allen	**–**	–

* or date of appointment if later

There have been no changes in directors' interests since the year end

Details of directors' interests in share options are disclosed in the Directors' Remuneration Report

Share capital

As at 30 November 2009, 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	57,296,001	572,960

The average market price of the Company's Ordinary shares at close of business on 30 November 2009 was 110p

The maximum share price during the period was 157p (15 January 2009) and the minimum price was 108 5p per share (26 November 2009)

Substantial share interests

At 1 March 2010, the Company had been advised or is aware of the following interests of 3% or more in the Company's issued share capital

	Number of shares	Percentage of issued share capital
Invesco Asset Management	17,156,326	29 94
Lansdowne Partners	14,849,580	25 92
BlackRock Investment Management	5,773,834	10 08
IP Group plc	4,704,000	8 21
Upsher-Smith Laboratories Inc.	3,665,700	6 40
King's College London	2,204,324	3 84
Peter Jenner	1,802,000	3 15

Directors' report *continued*

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 and all employees are given the opportunity to participate in the Company's share option scheme 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

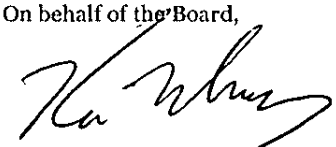
Environment
The Group is conscious of its responsibilities in respect of the environment and follows a Group-wide environmental policy Proximagen disposes of its waste products through regulated channels using reputable agents

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 30 November 2009 represented 28 days of purchases (2008 17 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

Statement as to disclosure of information to the 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 confirmed that they have taken all the steps that 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

Annual General Meeting
The 2010 Annual General Meeting will be held on 18 May 2010, the business of which is set out in the Notice of Meeting at the end of this report

On behalf of the Board,



Kenneth Mulvany
Director
31 March 2010

Corporate governance

Proximagen Neuroscience plc fully supports the principles of the Combined Code on Corporate Governance ("the Code") As an AIM company, it is not required to comply with the Code and the directors have taken into account the size and nature of the Group when applying these principles to Proximagen Neuroscience plc This report sets out how the principles in the Code have been applied by the Group during the year

The Board

The Board of Proximagen Neuroscience plc is responsible for the Group's system of corporate governance and internal control and is accountable for its activities During the year, the Board comprised two executive directors and four non-executive directors, one of whom is the Chairman The roles of Chairman and Chief Executive are distinct and are held by different people to ensure a clear division of responsibility The role of non-executive directors is to bring valuable judgement and insight to Board deliberations and decisions The non-executive directors are all experienced and influential individuals whose blend of skills and business experience contributes to the proper functioning of the Board and its Committees, ensuring that matters are fully debated and that no individual or group dominates the Board's decision-making processes

During 2009, an evaluation was undertaken of the executive directors' performance based on information provided by directors and senior staff It is the Board's intention to review annually its performance and that of its Committees and individual directors

All directors have access to the advice and services of the Company Secretary and are able in the course of their duties, if necessary, to take independent professional advice at the Company's expense Committees have access to such resources as are required to fulfil their duties

The Board receives reports covering finance, business development, operations and science, together with any other material deemed necessary for the Board to discharge its duties The Chairman is primarily responsible for the effective operation and chairing of the Board and for ensuring that it receives appropriate information to make informed judgements

The Board has a formal schedule of matters reserved to it for decision but otherwise delegates specific responsibilities to Committees, as described below The terms of reference of the Committees are available on request from the Company Secretary The Board is responsible for decisions, and the review and approval of key policies and decisions in respect of business strategy, board appointments, budgets, items of substantial investment and acquisitions

Board Committees

The Board has established an Audit Committee, a Nomination Committee and a Remuneration Committee with written terms of delegated responsibilities for each Details of these committees can be found on page 21

Under the Articles of Association all directors must offer themselves for re-election at least once every three years One-third of the directors retires by rotation at every Annual General Meeting and is eligible for re-appointment

Independent non-executive directors

The Board considers Michael Ashton and Peter Allen to be independent non-executive directors, both of whom are available to meet shareholders on request

Internal control and risk management

The Board has ultimate responsibility for the system of internal control maintained by the Group and for reviewing its effectiveness

The Board's approach is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss It operates with principles and procedures designed to achieve the accountability and control appropriate to the business

The principal features of the Group's internal control system are as follows

- an organisational structure is in place with clearly drawn lines of accountability and delegation of authority,
- Group employees are required to adhere to specified codes of conduct, policies and procedures,
- financial results and key operational and financial performance indicators are reported regularly throughout the year and variances from plans and budgets are investigated and reported,
- financial control protocols are in place to safeguard the assets and maintain proper accounting records, and
- risk management is monitored on an ongoing basis to identify, quantify and manage risks facing the Group

Shareholder relations

Proximagen aims to ensure a timely, open, comprehensive, and consistent flow of information to investors and the financial community By this approach we aim to help investors understand the Group's strategic objectives, its activities and the progress it makes The Company meets with its institutional shareholders and analysts as appropriate and uses the Annual General Meeting to further encourage communication with shareholders In addition, the Company uses the Annual Report and Accounts, Interim Statement and website (www.proximagen com) to provide further information to shareholders. The Company uses the services of Pelham Bell Pottinger to assist in its communication with shareholders

Corporate governance *continued*

Audit Committee
The Audit Committee comprises two non-executive directors Michael Ashton (Chairman) and Peter Allen Bruce Campbell was also a member of the Audit Committee during the year and until his resignation on 29 January 2010 The external auditors, Chief Executive Officer and Finance Director may be invited to attend Committee meetings and, following each meeting, the Committee and external auditors have the opportunity to meet with none of the executive directors present

The Committee reviewed the half year and full year results and the Interim Statement and Annual Report and Accounts prior to their submission to the Board and considered any matters raised by the external auditors All scheduled Committee meetings were quorate and the conclusions from those meetings were presented to the full Board The Audit Committee reviews on an annual basis the need for an internal audit function In 2009, in common with other companies of its size and complexity of operation, the Group did not operate an internal audit function

It is the Group's policy to employ its auditor on assignments additional to its statutory audit duties where its expertise and its experience of the Group are important The auditor is awarded assignments on a competitive basis

The Audit Committee pre-approves all permitted non-audit expenditure incurred and during the year reviewed the cost-effectiveness, independence and objectivity of the external auditor A formal Statement of Independence is received from the external auditor each year

At the beginning of 2010, the Committee recommended to the Board that a review of the current audit arrangements be undertaken On approval of this by the Board, a review process was implemented, overseen by the Committee and supported by management, whereby four audit firms, including Baker Tilly, presented their proposals to the Audit Committee for the 2010 audit Following the competitive tender, the Audit Committee recommended to the Board, and the Board approved, that a resolution be put to members at the 2010 Annual General Meeting to appoint Ernst & Young LLP as the Group's auditors from 2010

Nomination Committee
The Nomination Committee consists of Peter Allen, who chairs the Committee, Jackie Hunter and Michael Ashton Bruce Campbell was also a member of the Nomination Committee during the year and until his resignation on 29 January 2010 The Committee keeps under review the Board structure, size and composition, identifies and nominates candidates for the approval of the Board and ensures plans are put in place for succession of the executive directors

Remuneration Committee
Michael Ashton chairs this Committee with Jackie Hunter and Peter Allen as members Bruce Campbell was a member and chairman of the Remuneration Committee during the year and until his resignation on 29 January 2010 The Committee is responsible for considering directors' remuneration packages and makes its recommendations to the Board The Committee met twice during the year and the conclusions were presented to the full Board

The Chief Executive Officer may be invited to attend Remuneration Committee meetings, other than when his own remuneration is discussed No director is involved in deciding his own remuneration

Further details of directors' remuneration are disclosed in the Directors' Remuneration Report

Going concern
During the year, the Company received cash proceeds of £49 million (net of expenses) from the issue of new Ordinary share capital and as at 30 November 2009 the Group had cash at bank (including fixed rate deposits) in excess of £55 million The directors, after considering the Group's cash flow requirements, 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

Directors' remuneration report

This report sets out the remuneration policy operated by the Group in respect of the executive directors Details of the members and meetings of the Remuneration Committee are disclosed in the Corporate Governance Report

Remuneration policy overview
It is the aim of the Remuneration Committee to encourage and reward superior performance by executives with that performance being measured against achieving corporate goals, strong financial performance and the delivery of value to shareholders The Remuneration Committee reviewed the remuneration policy during the year and concluded that the base salaries of the executive directors should be brought more into line with the industry averages and that the bonus potential on a percentage basis should be reduced to reflect this The Committee therefore recommended a new remuneration policy during the year, subsequently adopted by the Board, which benchmarks main elements of the remuneration package against a sub-set of companies in the UK biotechnology sector, as set out below

Base salary	Average
Performance-based bonus	Average to upper quartile
Share incentives	Industry average
Total compensation	Between average and upper quartile

The Remuneration Committee believes that the new policy will continue to retain and motivate the executive directors appropriately while still maintaining a strong 'pay for performance' culture within the Group The Remuneration Committee will continue to review the policy on an annual basis to ensure that it is in line with the Group's objectives and shareholders' interests

Executive service agreements
Kenneth Mulvany has an executive service agreement with the Group dated 23 March 2005, which continues unless terminated by the Group on 30 days' written notice and six months' written notice by the executive In the event of termination by the Group, salary and benefits will be payable for the period of six months If the executive terminates for certain reasons set out in the service agreement, then the notice period that he is required to give is reduced to 30 days In the event of termination under these conditions, salary and benefits will be payable for the period of six months

James Hunter has an executive service agreement with the Group dated 1 November 2008, which continues unless terminated by either party on six months' written notice.

Non-executive directors
The non-executive directors have entered into letters of engagement with the Company, with the Board determining the fees paid to the non-executive directors During 2009, the current directors were all remunerated at the same rate, with the exception of Peter Allen, the Group's Chairman Non-executive directors do not participate in the Group's pension or bonus schemes in their capacity as non-executive directors The appointments can be terminated upon three months' notice being given by either party

Pensions
The Group operates a Group Personal Pension scheme Under the scheme rules, the Group will either match employee contributions up to the equivalent of a maximum of 5% of salary or will make direct contributions under a 'salary sacrifice' arrangement The scheme is open to executive directors and employees

Directors' remuneration
At present, the executive directors, Kenneth Mulvany and James Hunter, are entitled to receive salary, medical insurance, pension contributions and a discretionary performance-related bonus

Salary
Basic salaries are reviewed annually and revised salaries take effect from the start of the financial year The review process is managed by the Remuneration Committee which each year is provided with a benchmarking study prepared by Hewitt New Bridge Street Consultants, an independent remuneration, performance evaluation, and share scheme consultancy. The 2009 benchmarking study provided remuneration data on senior executives of ten listed companies within the UK biotechnology sector ("Comparator Group") and excludes participation by large multinational pharmaceutical companies.

The Committee assesses the market competitiveness of pay primarily in terms of total remuneration, with less emphasis on base salary

In 2009 the base salary of Kenneth Mulvany was 4% above the average base salary and 29% below the upper quartile base salary of chief executive officers in the Comparator Group and his total remuneration was 15% above the average total remuneration and 25% below the upper quartile total remuneration of chief executive officers in the Comparator Group

In 2009 the base salary of James Hunter was 19% below the average base salary of executive directors in the Comparator Group and his total remuneration was 14% below the average total remuneration of executive directors in the Comparator Group

Directors' remuneration report *continued*

Bonuses
The timing and amount of bonuses are decided by the Remuneration Committee with reference to the individual's performance and contribution to the Group and benchmarked against those offered by the Comparator Group The maximum bonus that can be earned by an executive director is targeted to be 25% of base salary, with exceptional performance being rewarded by a bonus payment above 25% of base salary

Share options
The Company issues share options to directors and staff to reward performance, to encourage loyalty and to enable valued employees to share in the success of the Company

In setting up the share option schemes, the Remuneration Committee took into account the recommendations of shareholder bodies on the number of options to issue, the criteria for vesting and the desirability of granting share options to executive and non-executive directors

During the year the Remuneration Committee reviewed the share option arrangements for the executives and proposed to the Board that a scheme be introduced that aligned the executives' options to the interests of the investors participating in the fund-raising The details of these options granted on 30 March 2010 are set out below

All employees are generally offered share options under the Company's Unapproved share option scheme after three months' service Option awards for employees are recommended by the executive directors and approved by the Remuneration Committee

Pensions
As with all employees, the directors are entitled to a matched contribution from the Company of up to 5% of salary or to direct contributions under a 'salary sacrifice' arrangement

Mr Mulvany has foregone his entitlement to the Company's contribution to his pension of £11,293 (2008 £8,176) for the period under review and all prior periods

Full details of the directors' remuneration can be found in Note 7 on page 36

Directors' share options

	Options as at 30 November 2008	Number of options granted during the year	**Options as at 30 November 2009**	Date from which exercisable	Expiry date	Exercise price
Bruce Campbell	600,000	–	**600,000**	31 March 2005	26 September 2014	8 33p
Michael Ashton	45,455	–	**45,455**	28 June 2006	27 June 2016	136p
James Hunter	60,000	–	**60,000**	17 January 2008	16 January 2012	83 33p
James Hunter	39,999	–	**39,999**	25 October 2008	24 October 2010	130p
James Hunter	150,267	–	**150,267**	27 March 2006	26 February 2011	135p
James Hunter	115,036	–	**115,036**	1 December 2008	14 October 2018	127 5p

No directors exercised any options during the year

On 30 March 2010, the Company made a grant of share options to the Chief Executive Officer and the Finance Director as summarised in the table below It is expected that no further grants of options will be made to these individuals before June 2012 These options have been granted with an exercise price of 140p, being the price at which investors purchased shares in the £50 million placing in June 2009, and representing a premium of 30% to the prevailing share price on the date of grant The options will only be exercisable subject to the achievement of targets related to the increase in the Company's share price above 140p

	Date of grant	Number of options granted	Date from which exercisable	Expiry date	Exercise price
Kenneth Mulvany	30 March 2010	1,720,000	24 June 2012	29 March 2020	140p
James Hunter	30 March 2010	340,000	24 June 2012	29 March 2020	140p
James Hunter	30 March 2010	170,000	24 June 2013	29 March 2020	140p
James Hunter	30 March 2010	170,000	24 June 2014	29 March 2020	140p

To the extent that newly issued shares are used to satisfy option grants (excluding grants made prior to the Company's Initial Public Offering), their use, consistent with best practice, will be limited to a maximum of 10% of issued share capital in any ten year period

Michael Ashton
Chairman of the Remuneration Committee
31 March 2010

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 are required by the AIM Rules of the London Stock Exchange 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 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, and
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

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 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 Neuroscience plc website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report
to the members of Proximagen Neuroscience plc

We have audited the Group and parent Company financial statements ("the financial statements") on pages 26 to 50 The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent Company 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 24, 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 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
A description of the scope of an audit of financial statements is provided on the APB's website at
www frc org uk/apb/scope/UKNP

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 30 November 2009 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRS 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
- 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 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 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

Baker Tilly UK Audit LLP

Richard Coates (Senior Statutory Auditor)
For and on behalf of Baker Tilly UK Audit LLP
Statutory Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

31 March 2010

Consolidated income statement

For the year ended 30 November 2009

	Note	2009 £'000	2008 £'000
Revenue	4	**945**	272
Cost of sales		**(59)**	(32)
Operating costs			
Research and development		**(2,818)**	(2,318)
Administrative expenses		**(2,070)**	(1,381)
		(4,888)	(3,699)
Operating loss		**(4,002)**	(3,459)
Finance income	5	**372**	491
Finance costs	5	**(100)**	–
Loss before tax	6	**(3,730)**	(2,968)
Income tax credit	8	**518**	661
Loss for the financial year attributable to equity holders of the parent		**(3,212)**	(2,307)
Loss per share			
Basic and diluted loss per share attributable to equity shareholders of the Company (pence)	9	**(8 7)**	(11 4)

Consolidated balance sheet

At 30 November 2009

Company No 05333020

	Note	2009 £'000	2008 £'000
Non-current assets			
Property, plant and equipment	11	**336**	262
Current assets			
Trade and other receivables	12	**1,739**	296
Current tax receivable		**518**	268
Other financial assets	13	**10,000**	1,200
Cash and cash equivalents	14	**45,577**	9,013
Total current assets		**57,834**	10,777
Current liabilities			
Trade and other payables	15	**(3,922)**	(2,738)
Net current assets		**53,912**	8,039
Net assets		**54,248**	8,301
Equity			
Ordinary shares	18	**573**	216
Share premium	19	**63,228**	14,527
Merger reserve		**299**	299
Share-based payment reserve		**300**	199
Retained earnings		**(10,152)**	(6,940)
Total equity attributable to equity holders of the parent		**54,248**	8,301

Approved and authorised for issue by the Board on 31 March 2010 and signed on its behalf by

Kenneth Mulvany
James Hunter
Directors

Consolidated statement of changes in equity

For the year ended 30 November 2009

Attributable to equity holders of the parent

	Ordinary shares £ 000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £ 000	Retained earnings £'000	Total £'000
Balance at 1 December 2007	201	12,661	299	126	(4,633)	**8,654**
Loss for the year	–	–	–	–	(2,307)	**(2,307)**
Total recognised income and expense for the year	–	–	–	–	(2,307)	**(2,307)**
Share-based payments	–	–	–	73	–	**73**
Issue of share capital	15	1,866	–	–	–	**1,881**
Balance at 30 November 2008	216	14,527	299	199	(6,940)	**8,301**
Loss for the year	–	–	–	–	(3,212)	**(3,212)**
Total recognised income and expense for the year	–	–	–	–	(3,212)	**(3,212)**
Share-based payments	–	–	–	101	–	**101**
Issue of share capital (net of expenses)	357	48,701	–	–	–	**49,058**
Balance at 30 November 2009	**573**	**63,228**	**299**	**300**	**(10,152)**	**54,248**

Share capital

Share capital represents the nominal value of shares issued

Share premium

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

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

Share-based payment

The share-based payment reserve arises as the expense of issuing share-based payments is recognised over time The reserve will fall as share options vest and are exercised, and the impact of the subsequent dilution of earnings crystallise, but the reserve may equally rise or might see any reduction offset, as new potentially dilutive share options are issued.

Consolidated cash flow statement

For the year ended 30 November 2009

	2009 £'000	2008 £'000
Cash flow from operating activities		
Loss before tax	**(3,730)**	(2,968)
Adjustments for		
Depreciation	**95**	90
Net finance income	**(272)**	(491)
Share-based payment	**101**	73
Cash flow from operations before changes in working capital	**(3,806)**	(3,296)
Changes in working capital		
(Increase)/decrease in trade and other receivables	**(37)**	160
(Decrease)/increase in trade and other payables	**(344)**	1,896
Cash used in operations	**(4,187)**	(1,240)
Income taxes received	**268**	393
Net cash used in operating activities	**(3,919)**	(847)
Cash flow from investing activities		
Acquisition of subsidiary – cash acquired	**22**	–
Financial assets (acquired)/realised	**(8,800)**	6,800
Interest received	**317**	604
Purchase of property, plant and equipment	**(14)**	(1)
Proceeds from sale of property, plant and equipment	**–**	3
Net cash (used in)/generated from investing activities	**(8,475)**	7,406
Cash flows from financing activities		
Net proceeds from the issue of Ordinary shares	**49,058**	1,881
Net cash generated from financing activities	**49,058**	1,881
Foreign exchange (loss)/gain	**(100)**	66
Net increase in cash and cash equivalents	**36,564**	8,506
Cash and cash equivalents at the beginning of the year	**9,013**	507
Cash and cash equivalents at end of the year	**45,577**	9,013

Notes to the consolidated financial statements
For the year ended 30 November 2009

1. General information
Proximagen Neuroscience plc ("the Company") and its subsidiaries (together "the Group") develop therapies to address the needs of patients with diseases of the central nervous system The Company is a public limited company incorporated and domiciled in England with registered number 05333020 and its shares are listed on the London Stock Exchange's AIM market (ticker PRX)

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 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 Neuroscience plc and its subsidiaries drawn up to 30 November each year

All intra-group transactions and balances are eliminated on consolidation

Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group

Subsequent to the date of transition to IFRS, acquisitions of subsidiaries will be dealt with by the purchase method The purchase method involves the recognition of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition On the initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair value, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition Goodwill is recognised as an asset and assessed for impairment at least annually Negative goodwill arising on a bargain purchase is immediately recognised in the income statement

b) Business combinations completed prior to date of transition to IFRS
The Group elected not to apply IFRS 3 "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

c) Significant accounting judgements, estimates and assumptions
In preparing the financial statements and in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements 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

i) Research and development
The criteria for 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 income statement in the period in which it is incurred

ii) Share-based payments
In accordance with IFRS 2 "Share-based Payment", 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 the Black-Scholes model and requires assumptions regarding dividend yields, risk-free interest rates, share price volatility and expected life of an employee share option, details of which can be found in Note 20 The arising expense is charged to the income statement on a straight-line basis over the expected vesting period. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable

iii) 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.

2. Accounting policies and basis of preparation *continued*

d) Going concern

During the year, the Company received cash proceeds of £49 million (net of expenses) from the issue of new Ordinary share capital and as at 30 November 2009 the Group had cash at bank (including fixed rate deposits) of in excess of £55 million The directors, after considering the Group's cash flow requirements, 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

e) Revenue recognition

i) Services rendered

Revenue represents the value of services provided to third parties after deducting 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 to completion basis Fixed price contracts are assessed on a contract by contract basis and reflected in the income statement 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 by reference to the development costs incurred in developing the programme towards the next milestone

When the Group receives milestones 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 development costs incurred in developing the programme towards the next milestone

iii) Grant income

Grant income is recognised when there is reasonable assurance that the conditions attaching to the grant have been met and that the grant will be received

f) 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

The need for any property, plant and equipment impairment write down is assessed by comparing the carrying value of property, plant and equipment against the higher of its realisable value and its value in 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 income statement

g) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet 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 income statement. 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

2. Accounting policies and basis of preparation *continued*

Other financial assets

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, 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 changes 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

h) 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 taken to the income statement

i) Taxation

Income tax is recognised or provided 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 balance sheet date Research and development tax credits are recognised on an accruals basis and are included as an income tax credit in the income statement and a current asset in the balance sheet

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, 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

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 by the balance sheet date Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity

j) Employee benefits

All employee benefit costs, notably holiday pay, bonuses and contributions to personal defined contribution pension schemes are charged to the consolidated income statement on an accruals basis

k) Pension contributions

The Group contributes to the personal pension plans of certain employees Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme

l) Operating loss

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

3. Changes to accounting policies

At the date of authorisation of this report the following standards and interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

		Effective date
IFRS 2 (amended)	Share-based Payments (Amendment)	1 January 2009
IFRS 3 (amended)	Business Combinations	1 July 2009
IFRS 5 (amended)	Non Current Assets Held for Sale and Discontinued Operations	1 July 2009
IFRS 7 (amended)	Financial Instruments – Disclosures	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1 (as revised 2007)	Presentation of Financial Statements	1 January 2009
IAS 7 (amended)	Statement of Cash Flows	1 January 2009
IAS 8 (amended)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2009
IAS 10 (amended)	Events after the Reporting Period	1 January 2009
IAS 16 (amended)	Property, Plant and Equipment	1 January 2009
IAS 18 (amended)	Revenue	1 January 2009
IAs 19 (amended)	Employee Benefits	1 January 2009
IAS 23 (amended)	Borrowing Costs	1 January 2009
IAS 24 (amended)	Related Party Disclosures	1 January 2011
IAS 27 (amended)	Consolidated and Separate Financial Statements	1 January 2009
IAS 32 (amended)	Financial Instruments Presentation	1 January 2009
IAS 36 (amended)	Impairment of Assets	1 January 2009
IAS 38 (amended)	Intangible Assets	1 January 2009
IAS 39 (amended)	Financial Instruments Recognition and Measurement	1 July 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group

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	2009 £'000	2008 £'000
Services rendered	**118**	109
Licence revenues	**772**	79
Grant income	**55**	84
Total	**945**	272
Revenue by destination of customer is presented below		
United Kingdom	**–**	–
Rest of Europe	**118**	109
United States of America	**827**	163
Total	**945**	272

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

5. Finance income and finance costs

	2009 £'000	2008 £'000
Finance income		
Bank interest receivable	**247**	10
Interest receivable from short-term deposits	**125**	415
Foreign exchange gains	**–**	66
	372	491
Finance costs		
Foreign exchange losses	**(100)**	–
Net finance income	**272**	491

The foreign exchange losses for the year of £100,000 (2008 gain of £66,000) arose on translation of cash at bank held in US dollars

Funds belonging to the Group not required for immediate working capital have been placed on deposit at certain UK-based banks and building societies on fixed-term contracts (see Note 17)

6. Loss before tax

	2009 £'000	2008 £ 000
Loss before tax is stated after charging/(crediting)		
Depreciation charged for the year on property, plant and equipment	**95**	90
Research and development costs	**2,818**	2,318
Auditor's remuneration for audit services	**35**	30
Grant income	**(55)**	(84)
Foreign exchange losses/(gains)	**100**	(66)
Share-based payments	**101**	73
The amounts payable to Baker Tilly UK Audit LLP and its related entities are set out below		
Fees payable to the auditor for the audit of parent Company and consolidated financial statements	**15**	15
Fees payable to the auditor and its related entities for other services		
Audit of the Company's subsidiaries	**20**	15
Taxation services	**–**	8
Other services	**12**	2
	47	40

7. Employees

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

	2009 Number	2008 Number
Laboratory	**18**	21
Administrative	**4**	4
	22	25

Staff costs for above persons	2009 £'000	2008 £'000
Wages and salaries	**1,339**	1,355
Social security costs	**141**	136
Pension costs	**33**	43
Total of cash-settled remuneration	**1,513**	1,534
Accrued holiday pay	**6**	10
Share-based payments	**101**	73
Total remuneration	**1,620**	1,617
Key management personnel remuneration		
Salaries and short-term employee benefits	**699**	667
Employer's NI	**62**	61
Pension costs	**16**	23
Share-based payments	**31**	34
Total remuneration	**808**	785

The Group's key management personnel during the year comprised the two executive directors, the Chief Scientific Officer, Peter Jenner, and the Head of Non-Clinical Development, Bruce Campbell.

7. Employees *continued*

Directors' remuneration 2009

	Directors' emoluments £	Other remuneration £	Total salary and fees £	Bonus £	Benefits £	Total £	Pension contributions £	Total £
Executive directors								
Kenneth Mulvany	225,851	–	225,851	72,000	1,334	299,185	–	**299,185**
James Hunter	141,250	–	141,250	41,500	1,668	184,418	15,956	**200,374**
Non-executive directors								
Peter Allen	37,500	–	37,500	–	–	37,500	–	**37,500**
Bruce Campbell (a)	23,750	95,304	119,054	–	–	119,054	–	**119,054**
Peter Jenner (b)	23,750	72,000	95,750	–	–	95,750	–	**95,750**
Michael Ashton	23,750	–	23,750	–	–	23,750	–	**23,750**
Nigel Whittle	5,000	–	5,000	–	–	5,000	–	**5,000**
Total	**480,851**	**167,304**	**648,155**	**113,500**	**3,002**	**764,657**	**15,956**	**780,613**

Peter Allen was appointed on 2 February 2009 and Nigel Whittle resigned on 2 February 2009

Directors' remuneration 2008

	Directors' emoluments £	Other remuneration £	Total salary and fees £	Bonus £	Benefits £	Total £	Pension contributions £	Total £
Executive directors								
Kenneth Mulvany	163,525	–	163,525	122,675	1,210	287,410	–	287,410
James Hunter	110,000	–	110,000	75,100	1,513	186,613	22,627	209,240
Non-executive directors								
Bruce Campbell (a)	20,000	73,833	93,833	–	–	93,833	–	93,833
Peter Jenner (b)	20,000	79,000	99,000	–	–	99,000	–	99,000
Michael Ashton	20,000	–	20,000	–	–	20,000	–	20,000
Nigel Whittle	20,000	–	20,000	–	–	20,000	–	20,000
Total	353,525	152,833	506,358	197,775	2,723	706,856	22,627	729,483

a) The Group was charged £95,304 in the year (2008 £74,692) by Iceblack Limited, a company controlled by Bruce Campbell for the provision of his consulting services on the Group's R&D programmes Of these amounts £95,304 (2008 £73,833) related to consultancy and £Nil (2008 £859) to out of pocket expenses The Group owed £25,375 (exclusive of VAT) to Iceblack Limited at the year end (2008 £15,000)

b) The Group was charged £73,199 in the year (2008 £81,370) by Primagen Limited, a company owned by Peter Jenner for the provision of his consulting services on the Group's R&D programmes Of these amounts £72,000 (2008 £79,000) related to consultancy and £1,199 (2008 £2,370) to out of pocket expenses The Group owed £6,000 (exclusive of VAT) to Primagen Limited at the year end (2008. £13,484).

8. Taxation

	2009 £'000	2008 £'000
Current tax		
United Kingdom corporation tax credit on loss for the year	**(518)**	(268)
Adjustments in respect of previous periods	**–**	(393)
Tax credit for the year	**(518)**	(661)

Factors affecting tax credit for the year

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

The difference is explained below

Loss before tax	**(3,730)**	(2,968)
Loss before tax multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2008 28%)	**(1,044)**	(831)
Effects of:		
Expenses not deductible for tax purposes	**47**	26
Surrendered for R&D tax credit	**(98)**	(175)
Potential deferred tax asset not recognised	**882**	2,080
Adjustment for pre-acquisition expenditure	**(305)**	–
Prior years' potential deferred tax asset not recognised	**–**	(1,368)
Adjustment to tax charge in respect of previous periods	**–**	(393)
Current tax credit for the year	**(518)**	(661)

The UK corporation tax credit for the year arose in respect of enhanced research and development tax relief in relation to work undertaken during the year

The adjustments in respect of prior periods for 2008 arose due to the Group claiming tax credits on enhanced research and development relief claimed in 2008 in respect of work undertaken during the years ended 30 November 2006 and 30 November 2007

A deferred tax asset of £4,246,000 (2008 £2,129,000) arising from tax losses of £15,164,000 (2008 £7,605,000) has not been recognised due to the uncertainty of its recoverability.

9. Basic and diluted loss per Ordinary share

The calculation of loss per share for the year ended 30 November 2009 is based upon the loss after tax for the period of £3,212,000 (2008 £2,307,000) divided by the weighted average number of 37,139,445 shares in issue during the year to 30 November 2009 (2008 20,213,242) The loss attributable to ordinary shareholders and weighted average number of Ordinary shares for the purpose of calculating the diluted earnings per Ordinary share are identical to those used for basic earnings 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 Neuroscience plc 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

Name of subsidiary	Class of holding	Proportion held directly	Nature of business
Proximagen Limited	Ordinary	100%	CNS research and development
Cambridge Biotechnology Limited	Ordinary	100%	CNS research and development

11. Property, plant and equipment

Group	Laboratory equipment £ 000	Computer equipment £'000	Office equipment £ 000	Total £'000
Cost				
At 1 December 2007	436	23	1	460
Additions	1	–	–	1
Disposals	(3)	–	–	(3)
At 30 November 2008	434	23	1	458
Additions	11	3	–	14
Additions from acquisitions	149	3	3	155
Disposals	(1)	–	–	(1)
At 30 November 2009	**593**	**29**	**4**	**626**
Depreciation				
At 1 December 2007	94	12	–	106
Charged in the year	84	5	–	90
At 30 November 2008	178	17	1	196
Charged in the year	90	5	–	95
Depreciation on disposal	(1)	–	–	(1)
At 30 November 2009	**267**	**22**	**1**	**290**
Net book value				
At 30 November 2009	**326**	**7**	**3**	**336**
At 30 November 2008	256	6	–	262
At 30 November 2007	342	11	1	354

12. Trade and other receivables

	2009 £'000	2008 £'000
Due within one year		
Trade receivables	**12**	–
Other receivables	**1,317**	51
Prepayments and accrued income	**410**	245
	1,739	296

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

13. Other financial assets

	2009 £'000	2008 £'000
Sterling fixed rate deposits of greater than three months' maturity	**10,000**	1,200

The directors consider that the carrying amount of other financial assets approximates to their fair value

14. Cash and cash equivalents

	2009 £'000	2008 £'000
Cash at bank	**35,577**	3,513
Sterling fixed rate deposits of less than three months' maturity	**10,000**	5,500
	45,577	9,013

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

Cash at bank includes includes £1,967,000 (2008 £2,903,000) 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

	2009 £'000	2008 £'000
Amounts falling due within one year		
Trade payables	**430**	299
Other taxation and social security costs	**79**	31
Accruals and deferred income	**3,413**	2,408
	3,922	2,738

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade payables is 28 days (2008 17 days)

The accruals balance principally comprises of redundancy and restructuring costs that arose in Cambridge Biotechnology Limited (CBT) when the company was acquired by Proximagen Neuroscience plc

The deferred income balance principally comprises deferred income in relation to out-licensing agreements 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 development costs incurred in developing the programme towards the next milestone

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

16. Acquisition of subsidiary

On 23 November 2009, the Company acquired 100% of the issued share capital of CBT The fair values of net assets acquired are based on provisional assessments pending final determination of certain assets and liabilities and are set out in the table below

	Carry values pre-acquisition £'000	Fair value adjustments £'000	Fair value £'000
Equipment	155	–	155
Trade and other receivables	127	–	127
Cash and cash equivalents	22	–	22
Trade and other payables	(1,366)	–	(1,366)
Amounts due from parent	4,161	–	4,161
Net assets acquired	3,099	–	3,099
Goodwill			–
			3,099

Consideration satisfied by:	
Cash receivable from vendor	(1,221)
Amounts owed to acquired subsidiary	4,161
Acquisition costs	159
Deferred contingent consideration	–
	3,099

From the date of acquisition on 23 November 2009 to 30 November 2009 CBT contributed revenue of £Nil and a loss before tax for the period of £42,000 If the acquisition of CBT had been completed on the first date of the financial year, Group revenues for the period would have increased by £Nil and the Group loss before tax would have increased by £4,045,000

Cash receivable from vendor

Cash receivable from vendor comprises £3,000 payable to the vendor based on completion accounts and £1,224,000 due from the vendor under an indemnity clause in the Sale and Purchase Agreement The indemnity clause commits the vendor to indemnify Proximagen Neuroscience plc for certain employment and property costs The liabilities for these employment costs and property costs are recognised as liabilities in the books of CBT in accordance with normal accounting practice The receivable from the vendor is recognised in the same period to match against the indemnified costs

Intangible assets acquired and deferred contingent consideration

On 23 November 2009 the Group acquired intangible assets from Biovitrum AB, the former parent company of CBT for an initial consideration equal to the intercompany debt in CBT at the date of completion

The intercompany debt in CBT was transferred to Proximagen Neuroscience plc at completion to settle the initial consideration for the intangible assets acquired by the Group

No fair value has been attributed to these acquired intangible assets as the programmes acquired are yet to receive regulatory approval Deferred contingent consideration will comprise of a percentage of any future revenues generated from the acquired drug development programmes. No deferred contingent consideration has been recognised on acquisition as the programmes are yet to receive regulatory approval

17. Financial instruments

The main risks arising from the Group's financial instruments are interest rate risk, currency risk and liquidity 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	2009 £'000	2008 £'000
Financial assets			
Loans and receivables			
Trade and other receivables	17(a)	**1,434**	85
Other financial assets (less than one year)	13	**10,000**	1,200
Cash and cash equivalents	14	**45,577**	9,013
Total financial assets		**57,011**	10,298
Financial liabilities			
Other financial liabilities			
Trade and other payables	17(b)	**2,641**	782
Total financial liabilities		**2,641**	782

a) Trade and other receivables shown above excludes prepayments, which are not a contractual obligation to receive cash, amounting to £305,000 (2008 £211,000)

b) Trade and other payables shown above excludes amounts due in respect of social security, other taxes and deferred income, which are not a contractual obligation to pay cash, amounting to £1,281,000 (2008 £1,956,000) All amounts are due within one year

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

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

a) 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

b) 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 other receivables, as at 30 November 2009 was

	Fixed rate		Floating rate		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Sterling	**30,000**	8,100	**24,307**	560	**54,307**	8,660
US dollars	**–**	1,466	**1,270**	87	**1,270**	1,553
Total	**30,000**	9,566	**25,577**	647	**55,577**	10,213

Floating rate deposits in sterling earn interest at prevailing bank rates.

17. Financial instruments *continued*

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 year

Year ended 30 November 2009	1%	Actual	+1%
Interest rate	**0 26%**	**1 26%**	**2 26%**
Finance income (£'000)	**78**	**372**	**666**

Year ended 30 November 2008	-1%	Actual	+1%
Interest rate	4 88%	5 88%	6 88%
Finance income (£'000)	353	425	497

Liquidity risk

It is the Group's policy to finance its business by means of internally generated funds, supported by external share capital

Currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates 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

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 30 November 2009, the amount of the Group's trade and other payables denominated in euros totalled €30,000 (2008 €13,000) and the amount of Group's trade and other payables denominated in US dollars totalled $88,000 (2008 $Nil)

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 year, the Group's loss would have increased by £27,000. Conversely if sterling had been 10% stronger than actual against the US dollar and the euro throughout the year, the Group's loss would have decreased by £27,000

Credit risk

The Group's customers 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 30 November 2009 were £12,120 (2008· £Nil)

Capital risk

The Group places its cash deposits with a number of reputable UK 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 2009 was 1.4 days, compared with 47 days in 2008

Capital risk management

The Group's principal objective when managing 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 Additional capital of £50 million has been raised during the year as disclosed in Note 19.

The Group has no short-term borrowings.

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

Banking facility

The Group does not currently have an overdraft facility

18. Called up share capital

	Number of Ordinary 1p shares	Amount £'000
Authorised		
At 30 November 2007	500,000,000	5,000
At 30 November 2008	500,000,000	5,000
At 30 November 2009	**500,000,000**	**5,000**
Allotted, issued and fully paid		
At 1 December 2007	20,058,872	201
Increase in the year	1,522,843	15
At 30 November 2008	21,581,715	216
At 1 December 2008	21,581,715	216
Increase in the year	35,714,286	357
At 30 November 2009	**57,296,001**	**573**

On 24 June 2009, the Company issued 35,714,286 new Ordinary shares of 1p each, representing 62 3% of the Company's enlarged issued share capital This issue of new equity was made to new and existing shareholders at a price of £1 40 per share, raising £50 million of new funds, before expenses

On 24 October 2008, the Company issued 1,522,843 new Ordinary shares of 1p each, representing 7 1% of the Company's enlarged issued share capital This issue of new equity was made to Upsher-Smith Laboratories Inc for consideration of $6 million, equivalent to £2 50 per share Of the £3,806,000 net proceeds received, £1,881,000 was accounted for as equity, being the fair value of the shares issued, and £1,925,000 was recognised as deferred income The deferred income is being recognised as revenue based upon the costs incurred in developing the programme towards the next milestone

19. Share premium

	£ 000
At 1 December 2007	12,661
New share capital issued	1,866
At 30 November 2008	14,527
New share capital issued	48,701
At 30 November 2009	**63,228**

The net proceeds received of £49,058,458 (after deducting share issue costs of £941,542) from the issue of new shares in the year have been accounted for as equity, with £357,143 accounted for as Ordinary shares and £48,701,315 as share premium

20. Share-based payments

The Company has granted share options to subscribe for Ordinary shares of 1p each, as follows

Date of grant	At 30 November 2009 Number of shares	At 30 November 2008 Number of shares	Exercise price per 1p Ordinary share Pence	Date from which exercisable	Latest exercise date	Share price at date of grant Pence	Performance conditions
Approved EMI scheme							
27 September 2004	600,000	600,000	8 33	31 March 2005	26 September 2014	8 33	None
18 October 2004	66,000	66,000	10 42	18 October 2007	17 October 2011	10 42	None
18 October 2004	13,500	15,000	10 42	18 October 2007	1 December 2012	10 42	None
17 January 2005	60,000	60,000	83 33	17 January 2008	16 January 2012	83 33	None
25 October 2005	87,700	105,398	130	25 October 2008	1 December 2012	125	Non-market
10 May 2006	15,711	15,711	130	30 November 2008	9 May 2011	130	Non-market
1 August 2006	11,490	19,669	130	30 November 2008	31 July 2011	123	Non-market
10 July 2007	9,525	20,805	100	30 November 2008	9 July 2012	87 5	Non-market
7 December 2007	18,626	18,626	108	30 November 2009	6 December 2012	107 5	Non-market
7 December 2007	11,250	33,750	108	1 February 2011	6 December 2012	107 5	Non-market
7 December 2007	40,000	40,000	108	7 December 2010	6 December 2012	107 5	Non-market
28 November 2008	266,326	513,792	130	27 November 2013	27 November 2015	130	Non-market
12 June 2009	64,283	–	135	30 November 2013	12 June 1916	135	Non-market
Unapproved scheme							
18 October 2004	24,000	24,000	10 42	18 October 2007	17 October 2011	10 42	None
18 October 2004	6,000	6,000	10 42	18 October 2007	1 December 2012	10 42	None
20 October 2004	102,000	102,000	17 08	20 October 2007	19 October 2012	17 08	None
8 March 2005	12,000	12,000	100	8 March 2008	7 March 2010	100	None
27 February 2006	150,267	150,267	135	27 March 2006	26 February 2011	135	None
30 May 2006	14,382	14,382	130	30 November 2008	29 May 2011	122 5	Non-market
28 June 2006	45,455	45,455	136	28 June 2006	27 June 2016	120	None
15 October 2008	115,036	115,036	127 5	1 December 2008	14 October 2018	127 5	Non-market
28 November 2008	87,376	91,181	130	27 November 2013	27 November 2015	130	Non-market
Total outstanding	**1,820,927**	**2,069,072**					

The weighted average fair value of options granted in the year is 37 9p (2008· 47 1p)

The non-market performance conditions for all share options outstanding at 30 November 2009 and with a vesting date of 30 November 2009 or before have been achieved

The movement in the number of shares under option between 1 December 2008 and 30 November 2009 is set out below

Outstanding at 1 December 2008 Number of shares	Granted Number of shares	Forfeited Number of shares	Exercised Number of shares	Lapsed Number of shares	Outstanding at 30 November 2009 Number of shares
2,069,072	66,500	(314,645)	–	–	1,820,927

Outstanding at 1 December 2007 Number of shares	Granted Number of shares	Forfeited Number of shares	Exercised Number of shares	Lapsed Number of shares	Outstanding at 30 November 2008 Number of shares
1,288,266	813,922	(33,116)	–	–	2,069,072

At 30 November 2009, the weighted average remaining contractual life of options exercisable is 5 2 years (2008 5 3 years)

20. Share-based payments *continued*

A share-based payment charge has been calculated using the Black-Scholes model to calculate the fair value of the share options

The inputs into the Black-Scholes model are as follows	2009	2008
Weighted average share price (pence)	**135 0**	126 8
Weighted average exercise price (pence)	**135 0**	126 8
Expected volatility	**35%**	40%
Expected life (years)	**5.0**	5 7
Risk free rate	**2 81%**	4 86%
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 fair value charge is spread evenly over the expected vesting period
c) The expected volatility is based on the historic volatility of the share price

21. Leasing commitments

The Group's total commitments under non-cancellable operating leases are as follows

	Land and buildings 2009 £'000	2008 £'000
Within one year	**407**	57
In two to five years	**103**	160
	510	217

22. Events after the balance sheet date

On 4 January 2010, Proximagen Neuroscience plc made a recommended cash offer for the entire issued and to be issued share capital of Minster Pharmaceuticals plc Under the terms of the offer, Minster Pharmaceuticals plc shareholders will receive 6 0 pence in cash for each share held by them, valuing the entire issued and to be issued share capital of Minster Pharmaceuticals plc at approximately £4 3 million

On 16 February 2010, Proximagen Neuroscience plc announced the offer had become unconditional as to acceptances and subsequently on 5 March 2010 announced that the Company had valid acceptances of over 90% The Company has now commenced the compulsory acquisition procedure

The directors consider that the disclosure of the financial effects to be impracticable as the purchase price allocation, including the fair value of individual assets and liabilities, has not been finalised

Parent Company balance sheet

At 30 November 2009

Company No 05333020

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	5	**15,846**	9,681
Current assets			
Debtors amounts due within one year	6	**1,378**	59
Cash at bank and in hand		**53,499**	7,169
		54,877	7,228
Creditors: amounts falling due within one year	7	**(4,680)**	(95)
Net current assets		**50,197**	7,133
Net assets		**66,043**	16,814
Capital and reserves			
Called up share capital	8	**573**	216
Share premium account	9	**63,228**	14,527
Share-based payment reserve	9	**300**	199
Profit and loss account	9	**1,942**	1,872
Shareholders' funds	9	**66,043**	16,814

Approved and authorised for issue by the Board on 31 March 2010 and signed on its behalf by

Kenneth Mulvany
James Hunter
Directors

Notes to the parent Company financial statements

For the year ended 30 November 2009

1. Basis of preparation

The parent Company balance sheet has 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 members of the 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

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

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 taken to the profit and loss account

e) Pension contributions

The Company contributes to the personal pension plans of those directors who are members of the Company's group personal pension scheme Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

f) Fixed asset (investment) impairment policy

Investments in subsidiary undertakings held as fixed assets are stated at cost less any provisions for impairment 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 fixed asset 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

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 profit dealt with in the financial statements of the parent Company was a profit of £70,000 in 2009 (2008 £415,000)

The auditor's remuneration in respect of audit services provided to the Company are disclosed in Note 6 of the Notes to the consolidated financial statements

Notes to the parent Company financial statements *continued*
For the year ended 30 November 2009

4. Directors' remuneration
Details of directors' remuneration are disclosed in Note 7 to the consolidated financial statements

5. Investments

	Investment in subsidiary undertakings Shares £'000	Loan £'000	Capital contributions from share-based payments £'000	Total £'000
Cost at 1 December 2008	102	9,436	143	9,681
On acquisition	3,099	–	–	3,099
Additions	–	2,965	101	3,066
Cost at 30 November 2009	**3,201**	**12,401**	**244**	**15,846**

Proximagen Neuroscience plc 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

Name of subsidiary	Class of holding	Proportion held directly	Nature of business
Proximagen Limited	Ordinary	100%	CNS research and development
Cambridge Biotechnology Limited	Ordinary	100%	CNS research and development

On 23 November 2009, the Company acquired 100% of the issued share capital of CBT On acquisition, the Company assumed a liability of £4,161,000 due to CBT from its former parent This liability is disclosed as a creditor in Note 7 of these financial statements and the corresponding asset has been added to the cost of shares in subsidiary undertakings Further detail can be found in Note 16 to the Group accounts

6. Debtors

	2009 £'000	2008 £'000
Due within one year		
Other debtors	**1,251**	5
Prepayments and accrued income	**127**	54
Balance	**1,378**	59

7. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	**107**	32
Other taxation and social security costs	**4**	2
Amounts due to subsidiary undertaking	**4,161**	–
Accruals and deferred income	**408**	61
Balance	**4,680**	95

Notes to the parent Company financial statements *continued*
For the year ended 30 November 2009

8. Share capital

	2009 £'000	2008 £'000
Authorised		
500,000,000 Ordinary shares of 1p each	**5,000**	5,000
Allotted, issued and fully paid		
57,296,001 (2008 21,581,715) Ordinary shares of 1p each	**573**	216

On 24 June 2009, the Company issued 35,714,286 new Ordinary shares of 1p each, representing 62 3% of the Company's enlarged issued share capital This issue of new equity was made to new and existing shareholders at a price of £1 40 per share, raising £50 million of new funds, before expenses

On 24 October 2008, the Company issued 1,522,843 new Ordinary shares of 1p each, representing 7 1% of the Company's enlarged issued share capital This issue of new equity was made to Upsher-Smith Laboratories Inc for consideration of $6 million, equivalent to £2 50 per share

No new shares (2008 No new shares) were issued for cash in the year in respect of the exercise of options by members of staff

Details of the Company's share option schemes and long-term incentive plan can be found in the Directors' Remuneration Report and Note 20 to the Group accounts

9. Reconciliation of movement in reserves and equity shareholders' funds

	Ordinary shares £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 December 2007	201	12,661	126	1,457	14,445
Profit for the year	–	–	–	415	415
Share-based payments	–	–	73	–	73
Issue of share capital	15	1,866	–	–	1,881
Balance at 1 December 2008	216	14,527	199	1,872	16,814
Profit for the year	–	–	–	70	70
Share-based payments	–	–	101	–	101
Issue of share capital	357	48,701	–	–	49,058
Balance at 30 November 2009	**573**	**63,228**	**300**	**1,942**	**66,043**

10. Events after the balance sheet date

On 4 January 2010, Proximagen Neuroscience plc made a recommended cash offer for the entire issued and to be issued share capital of Minster Pharmaceuticals plc Under the terms of the offer, Minster Pharmaceuticals plc shareholders will receive 6 0 pence in cash for each share held by them, valuing the entire issued and to be issued share capital of Minster Pharmaceuticals plc at approximately £4 3 million.

On 16 February 2010, Proximagen Neuroscience plc announced the offer had become unconditional as to acceptances and subsequently on 5 March 2010 announced that the Company had valid acceptances of over 90% The Company has now commenced the compulsory acquisition procedure

The directors consider that the disclosure of the financial effects to be impracticable as the purchase price allocation, including the fair value of individual assets and liabilities has not been finalised

Notice of Annual General Meeting

To the members of Proximagen Neuroscience plc
Incorporated in England and Wales with registered number 05333020

Notice is hereby given that the 2010 Annual General Meeting of Proximagen Neuroscience plc ("the Company") will be held at the offices of Pelham Bell Pottinger, 12 Arthur Street, London, EC4R 9AB at 11 30am on Tuesday 18 May 2010 for the purpose of considering and, if thought fit, passing the following resolutions of which numbers 1 to 6 will be proposed as Ordinary Resolutions and numbers 7 and 8 will be proposed as Special Resolutions

Ordinary Resolutions

1 To receive the reports of the Directors and auditors and the audited accounts of the Company for the year ended 30 November 2009

2 To re-elect as a Director, Peter Allen, who retires by rotation in accordance with Article 117 of the Articles of Association of the Company

3 To re-elect as a Director, James Hunter, who retires by rotation in accordance with Article 117 of the Articles of Association of the Company

4 To re-elect as a Director, Jackie Hunter, who retires in accordance with Article 123 of the Articles of Association of the Company

5 To appoint Ernst & Young LLP as the auditor of the Company until the conclusion of the next general meeting of the Company at which accounts are laid before the Company and to authorise the Directors to fix the remuneration of Ernst & Young LLP as the auditor of the Company

6 That the Directors be and they are hereby generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company
   (a) up to an aggregate nominal amount of £190,987, and
   (b) comprising equity securities up to an aggregate nominal amount of £381,973 (including within such limit any shares and rights to subscribe for or convert any security into shares allotted under paragraph (a) above) in connection with an offer by way of a rights issue
      (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holding, and
      (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

   and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of any territory or the requirements of any regulatory body or stock exchange or any other matter

   provided that these authorities shall expire on the earlier of the conclusion of the next annual general meeting of the Company and the close of business on 18 August 2011 and, unless and to the extent that such authority is renewed or extended prior to such date, that the Company may before such expiry make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired This Resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities References in this Resolution 6 and in Resolution 7 to equity securities shall have the same meaning as in the Companies Act 2006, as amended ("the Act")

Special Resolutions

7 That if Resolution 6 is passed, the Directors be and they are hereby empowered to allot equity securities (as defined in the Act) for cash pursuant to the authority conferred by Resolution 6 above and/or where the allotment is treated as an allotment of equity securities under Section 560(2)(b) of the Act, free of the restriction in Section 561(1) of the Act, provided that this power shall be limited to
   (a) the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 6, by way of a rights issue only)
      (i) to ordinary shareholders in proportion (as nearly as may be) to the number of Ordinary Shares held by them, and
      (ii) to holders of other equity securities, as required by the rights of those securities, or as the Directors otherwise consider necessary

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements record dates, or legal, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange or any other matter;
   (b) the allotment of equity securities in connection with the Company's share option schemes; and
   (c) the allotment (other than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £57,296

   and this authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company and the close of business on 18 August 2011 and unless and to the extent that such authority is renewed or extended prior to such date, that the Company may before such expiry make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired

Notice of Annual General Meeting *continued*

8 The Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Act to make one or more market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 1p each in the capital of the Company provided that

(i) the Company does not purchase under this authority more than 5,729,600 ordinary shares,

(ii) the Company does not pay for each such ordinary share less than the nominal amount of such ordinary share at the time of purchase, and

(iii) the Company does not pay for each such ordinary share more than 105% of the average closing mid-market prices of the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Company agrees to buy the share concerned

and this authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company and the close of business on 18 August 2011 save that if the Company has agreed, before this authority expires, to purchase ordinary shares where the purchase will or may be executed after this authority expires (either wholly or in part), the Company may complete such purchase as if this authority had not expired This Resolution revokes and replaces all unexercised authorities previously granted to the Directors to purchase ordinary shares but without prejudice to any agreement to purchase ordinary shares already made, offered or agreed to be made pursuant to such authorities

By order of the Board
James Hunter
Company Secretary

31 March 2010

Registered office
Proximagen Neuroscience plc
Hodgkin Building
Guy's Campus
King's College
London SE1 1UL

NOTES

Entitlement to attend and vote

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6 00pm on 16 May 2010 or, if this Meeting is adjourned, at 6 00pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting

Appointment of proxies

2 If you are a member of the Company at the time set out in note 1 above you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form

3 If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this Appointment of proxies" section Please read the section "Nominated persons" below

4 A proxy does not need to be a member of the Company but must attend the Meeting to represent you Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them

5 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share To appoint more than one proxy, it will be necessary to notify the registrar in accordance with Note 7 below

6 A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against the resolution If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting

Appointment of proxy using hard copy proxy form

7 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote To appoint a proxy using the proxy form the form must be:

- completed and signed,
- sent or delivered to Capita Registrars, The Registry, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU and
- received by Capita Registrars no later than 11.30am on 16 May 2010

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

8 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

9 To change your proxy instructions simply submit a new proxy appointment using the methods set out above Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars If you submit more than one valid proxy appointment the appointment received last before the latest time for the receipt of proxies will take precedence

Termination of proxy appointments

10 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, The Registry, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU In the case of a member which is a company the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice The revocation notice must be received by Capita Registrars no later than 11.30am on 16 May 2010 If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated

Issued shares and total voting rights

11 As at 5.00pm on 30 March 2010 the Company's issued share capital comprised 57,296,001 ordinary shares of 1 penny each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00pm on 30 March 2010 is 57,296,001

Nominated persons

12. If you are a person who has been nominated under Article 190 of the Company's Articles of Association to enjoy information rights (Nominated Person)

- You may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

Documents on display

13. Copies of the following documents will be available for at least 15 minutes prior to the Meeting and during the Meeting.

- Service agreement of Mr Peter Allen, dated 2 February 2009
- Service agreement of Mr James Hunter dated 1 November 2008
- Letter of appointment of Ms Jackie Hunter dated 29 January 2010

Communication

14. Except as provided above members who have general queries about the Meeting should call the Capital shareholder helpline on 0871 664 0300 (or from outside the UK. +44 (0)20 8639 3399). No other methods of communication will be accepted.

You may not use any electronic address provided either in this notice of general meeting or any related documents (including the Executive Director's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

Shareholder information

Company contact details
Proximagen Neuroscience plc
Hodgkin Building
Guy's Campus
King's College
London SE1 1UL

Tel +44 (0)20 7848 6938
Fax +44 (0)20 7848 6034

Company Secretary
James Hunter

Registered office
Hodgkin Building
Guy's Campus
King's College
London SE1 1UL

Incorporated and registered in England and Wales
No 05333020

Website
Further information on the Group can be found on our website at **www.proximagen.com**

Share price information
The latest Proximagen share price can be obtained via a number of financial information websites Proximagen's London Stock Exchange code is PRX

Shareholder enquiries
Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0GA

Tel 0870 162 3100
Calls cost 10p per minute plus network extras Lines open 8 30am to 5 30pm

Investor relations
Any shareholders with enquiries regarding the Group are welcome to contact Kenneth Mulvany on +44 (0)20 7848 6938 Alternatively, they can e-mail their enquiry to ir@proximagen com

Copies of this report are being sent to all shareholders Copies are also available at the registered office of the Company, Hodgkin Building, Guy's Campus King s College London SE1 1UL

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conclusive?

If you wish to follow the progress of Proximagen or the programmes featured in this report, then please visit our website at
www proximagen.com

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ST MARY'S PRIORY HOUSE COMPANY LIMITED

CONTENTS