

Proximagen Group Limited

FINANCIAL STATEMENTS

For the year ended 31 December 2014

Registered number: 05333020



Proximagen Group Limited

DIRECTORS, OFFICERS AND ADVISERS

For the year ended 31 December 2014

Directors

Mark Evenstad
William Pullman
Chad Martinson
Benjamin Rush Field IV

Registered Office

3rd Floor
91 – 93 Farringdon Road
London
EC1M 3LN

Independent Auditors

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Bankers

NatWest Commercial Banking
10 Southwark Street
London
SE1 1TJ

Proximagen Group Limited

STRATEGIC REPORT

For the year ended 31 December 2014

The directors present their strategic report for the year ended 31 December 2014.

Principal activities

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

Review of the business and future developments

The Company's profit for the financial year is £982,000 (2013: £28,000). This profit largely arose from the waiver of £921,000 owed to one of the company's subsidiaries, Cambridge Biotechnology Limited, which has been classified as exceptional other income in the profit and loss account.

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

Principal risks and uncertainties

The principal risks and uncertainties of the Company are the same as those of its UK parent company USL Pharma International UK Limited and these can be found in the strategic report of the USL Pharma International UK Limited financial statements for the year ended 31 December 2014.

Key performance indicators

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

On behalf of the board



Chad Martinson
Director
July 2015

22/7/15

Proximagen Group Limited

DIRECTORS' REPORT

For the year ended 31 December 2014

The directors present their directors' report and the audited financial statements of Proximagen Group Limited (the "Company") for the year ended 31 December 2014.

Future developments

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

Going concern

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

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

Dividend

The directors do not recommend the payment of a dividend (2013: nil).

Directors

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

Mark Evenstad	
William Pullman	
Stephen Robinson	(resigned 15 December 2014)
Chad Martinson	(appointed 2 January 2015)
Benjamin Rush Field IV	(appointed 16 April 2015)

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

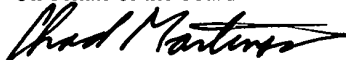
Events after the balance sheet date

There are no reportable events after the balance sheet date.

Statement as to disclosure of information to auditor

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

On behalf of the board



Chad Martinson

Director

July 2015

22/7/15

Proximagen Group Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 31 December 2014

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Proximagen Group Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROXIMAGEN GROUP LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

What we have audited

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

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Proximagen Group Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROXIMAGEN GROUP LIMITED

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



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

28 July 2015

Proximagen Group Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Note	Year ended 31 December 2014	Year ended 31 December 2013
		£'000	£'000
Turnover	2	200	240
Gross profit		200	240
Administrative expenses		(150)	(272)
Exceptional other income	3	921	-
Operating profit / (loss)		971	(32)
Analysed as:			
Operating profit / (loss) before exceptional income		50	(32)
Exceptional other income		921	-
Operating profit / (loss)		971	(32)
Interest receivable and similar income		11	60
Profit on ordinary activities before taxation	4	982	28
Tax on profit on ordinary activities	6	-	-
Profit for the financial year	11	982	28

The operating profit/(loss) for the year arises from the Company's continuing operations.

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

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

Proximagen Group Limited

BALANCE SHEET

As at 31 December 2014

	Note	31 December 2014 £'000	31 December 2013 £'000
Fixed assets			
Investments	7	68,877	44,927
Current assets			
Debtors	8	26,364	35,064
Cash at bank and in hand		129	4,895
		26,493	39,959
Creditors: amounts falling due within one year	9	(10,435)	(933)
Net current assets		16,058	39,026
Total assets less current liabilities		84,935	83,953
Net assets		84,935	83,953
Capital and reserves			
Called up share capital	10	696	696
Share premium account	11	81,072	81,072
Share-based payment reserve	11	1,135	1,135
Profit and loss account	11	2,032	1,050
Total shareholders' funds	11	84,935	83,953

The financial statements on pages 8 to 15 were approved by the Board of Directors on 22 July 2015 and signed on its behalf by:



Chad Martinson

Director

22/7/15

Proximagen Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. Accounting policies

a) Basis of accounting

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

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

b) Going concern

The financial statements have been prepared on the going concern basis. The directors have received confirmation that the ultimate parent company will continue to provide financial support while the Company and its subsidiary continue their research programmes which incur net cash outflows. The directors have satisfied themselves that the ultimate parent company has the available resources to provide those funds. This support will enable the Company to meet its liabilities as they fall due for the foreseeable future. The financial statements do not include any adjustments that would result if the Company's ultimate parent company was to withdraw its financial support.

c) Turnover

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

d) Investment in subsidiary undertakings and impairment review

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

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

The company is a wholly-owned subsidiary of USL Pharma International UK Limited and is included in the consolidated financial statements of USL Pharma International UK Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

e) 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.

f) Foreign currency

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

g) Cash flow statement

The Company has taken advantage of the exemption available under FRS 1 not to prepare a cash flow statement as it is a wholly owned subsidiary of another company whose consolidated financial statements, in which the Company is included, include a cash flow statement and are publicly available.

Proximagen Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

1. Accounting policies (continued)

h) Lease and hire purchase commitments

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

i) Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2. Turnover

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	£'000
An analysis of the Company's turnover is as follows:		
All sales were made in the United Kingdom.		
Service fees	200	240

3. Exceptional other income

Following the completion of the Group's strategic review during the year, the amount owed to one of the company's subsidiaries, Cambridge Biotechnology Limited, amounting to £921,000 has been waived by the subsidiary. There was no tax impact of the exceptional other income on the tax credit for the year. There was no exceptional other income in the year ended 31 December 2013.

4. Profit on ordinary activities before taxation

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Operating lease charges – other	58	58

Services provided by the Company's auditors

During the year, the Company obtained the following services from the Company's auditor.

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	£'000
Fees payable to the Company's auditor for the audit of the financial statements	5	5
Fees payable to the Company's auditor for other services:		
Tax compliance services	2	3
Tax other	2	2
	9	10

5. Directors' emoluments

The emoluments of the directors are paid by the ultimate parent company which makes no recharge to the company. The directors are directors of the ultimate parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. The total emoluments of the directors are included in the aggregate of directors' emoluments included in the financial statements of the ultimate parent company.

There were no employees during the year (2013: none).

Proximagen Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

6. Tax on profit on ordinary activities

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	£'000
Tax on profit on ordinary activities	-	-

Factors affecting tax for the year:

The tax assessed for the year is different to the blended standard rate of corporation tax in the UK 21.5% (2013: 23.25%). The difference is explained below:

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	£'000
Profit on ordinary activities before tax	982	28
Profit on ordinary activities multiplied by standard blended rate of corporation tax in the UK of 21.5% (2013: 23.25%)	211	7
Effects of:		
Expenses not deductible for tax purposes	(198)	1
Group relief	(13)	(8)
Corporation tax for the year	-	-

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

Proximagen Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

7. Investments

	Investments in subsidiary undertakings			Total £'000
	Shares	Loan	Capital contributions from share-based payments	
	£'000	£'000	£'000	
Cost				
At 1 January 2014	7,466	40,050	1,079	48,595
Additions	64,000	-	-	64,000
Disposals	-	(40,050)	-	(40,050)
At 31 December 2014	71,466	-	1,079	72,545
Accumulated Impairment				
At 1 January 2014 and 31 December 2014	(3,668)	-	-	(3,668)
Net book value				
At 31 December 2014	67,798	-	1,079	68,877
At 1 January 2014	3,798	40,050	1,079	44,927

On 30 October 2014, the company invested a further £64,000,000 in newly allocated ordinary share capital in Proximagen Limited. The amount payable was satisfied in part by the release of the loan from Proximagen Limited and part by additional cash paid during 2014 with the balance of £10,413,000 due to Proximagen Limited by 30 October 2017.

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

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

Name of subsidiary	Class of holding	Proportion held directly	Nature of business
Proximagen Limited	Ordinary	100%	Research & development
Cambridge Biotechnology Limited	Ordinary	100%	Not trading

Proximagen Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

8. Debtors

	31 December 2014	31 December 2013
	£'000	£'000
Amounts due within one year:		
Amounts owed by group undertakings	26,293	35,000
Other debtors	25	24
Prepayments and accrued income	46	40
	<u>26,364</u>	<u>35,064</u>

On 17 September 2012, Proximagen Group Limited loaned £35,000,000 to USL Pharma International UK Limited on an unsecured non-interest bearing basis. The repayment date is 16 September 2017 or within 5 working days of written demand from Proximagen Group Limited. £8,707,000 of this has been received during 2014.

9. Creditors: amounts falling due within one year

	31 December 2014	31 December 2013
	£'000	£'000
Trade creditors	4	2
Amounts owed to group undertakings	10,416	921
Accruals and deferred income	15	10
	<u>10,435</u>	<u>933</u>

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

10. Called up share capital

	31 December 2014	31 December 2013
	£'000	£'000
Authorised:		
500,000,000 (31 December 2013: 500,000,000) Ordinary shares of 1p each	5,000	5,000
Allotted, issued and fully paid:		
69,619,795 (31 December 2013: 69,619,795) Ordinary shares of 1p each	696	696

Proximagen Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

11. Reconciliation of movements in reserves and shareholders' funds

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2014	696	81,072	1,135	1,050	83,953
Profit for the financial year	-	-	-	982	982
Balance at 31 December 2014	<u>696</u>	<u>81,072</u>	<u>1,135</u>	<u>2,032</u>	<u>84,935</u>

12. Leasing commitments

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

	Land and buildings	
	31 December 2014	31 December 2013
	£'000	£'000
Lease expiry:		
In years two to five	<u>67</u>	<u>67</u>

13. Related party transactions

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

14. Ultimate parent undertaking

The Company's immediate parent undertaking is USL Pharma International UK Limited, a company registered in England and Wales (Company number 08098631), the smallest company in which these accounts are consolidated. The ultimate parent undertaking and controlling party is Upsher-Smith Laboratories Inc., a company incorporated in the United States of America, the largest company in which these accounts are consolidated. Copies of USL Pharma International UK Limited consolidated financial statements can be obtained from the Company's registered office, 40 Bank Street, Canary Wharf, London E14 5DS.

15. Events after the balance sheet date

There are no reportable events after the balance sheet date.