

Company Registration No. 03575952 (England and Wales)

PROGENY BIOVENTURES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2011

TUESDAY



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PROGENY BIOVENTURES LIMITED

COMPANY INFORMATION

Directors	I F Griffiths A D W Newland
Secretary	I F Griffiths
Company number	03575952
Registered office	3 Frederick Sanger Road The Surrey Research Park Guildford Surrey GU2 7YD
Auditor	Baker Tilly UK Audit LLP The Clock House 140 London Road Guildford Surrey GU1 1UW

PROGENY BIOVENTURES LIMITED

CONTENTS

Page

1 - 3	Directors' Report
4 – 5	Auditor's Report
6	Profit and Loss Account
7	Balance Sheet
8 – 14	Notes to the Financial Statements

PROGENY BIOVENTURES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2011

The Directors present their Report and Financial Statements for Progeny bioVentures Limited, Company registration number 03575952, for the year ended 30 April 2011.

The Directors who held office as at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company auditors are unaware; and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company auditors are aware of that information.

Principal activity and review of the business

The principal activity of the Company is that of a holding company for a number of biotechnology companies previously established by the Company.

Acolyte Biomedica (medical diagnostics / MRSA detection) was sold in February 2007. The deferred consideration of up to £1.7 million due in respect of the sale of the investment in Acolyte Biomedica is subject to dispute between the former Acolyte shareholders and the purchaser, 3M Corporation.

The legal action in the UK courts by the former major Acolyte shareholder, Porton Capital, against the purchaser, 3M, in respect of its share of the earn-out concluded after the year end on 7 November 2011 when the judge handed down his judgement.

The judge found in favour of Porton Capital and in particular that 3M was "in breach of its obligation diligently to seek regulatory approval for BacLite in the US" and "in material breach of its obligation actively to market [BacLite]".

However the damages awarded against 3M were lower than expected and limited to only US\$1,299,808, which on a comparable basis would equate to US\$89,605 for Progeny BioVentures' share of the earn-out. The Company is currently awaiting any possible further developments in the case and in particular whether the judgment is appealed by Porton Capital which may lead to a change in the level of the award.

Once the situation is known, ANGLE expects to pursue its own claim against the purchaser. At present the Company has no exposure to legal costs.

The change in circumstances associated with this judgement results in an adjusting post balance sheet event. The Directors believe that it is appropriate to impair the value the asset by £485,465 to £55,515 being the fair value based on the damages awarded.

Note 7 provides further information.

NeuroTargets (neuropathic pain, Alzheimer's and multiple sclerosis) has developed therapeutic molecules based on galanin, a protein used by nerve cells to communicate with each other.

PROGENY BIOVENTURES LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 30 APRIL 2011

Principal activity and review of the business (continued)

NeuroTargets (continued)

NeuroTargets agreed a licensing deal with the University of Bristol, and the Wellcome Trust during the year with a funding award from the Wellcome Trust to the University to progress the galanin programme. However, as is often the case, side effects were found in the first set of targets being investigated by the University and new targets are currently being sought. The University's Wellcome Trust funding programme has been terminated whilst this process is underway and the University will need to reapply for the funding if the programme is to progress. In addition to the work on neuropathic pain, NeuroTargets has through Professor Wynick's research also had positive pre-clinical results for the treatment of multiple sclerosis (MS) and Alzheimer's disease (AD). NeuroTargets has secured a granted patent in Australia for the use of galanin to treat MS and AD and applications in other territories are ongoing. NeuroTargets has long term potential that requires partnering.

During the year ANGLE increased its holding in NeuroTargets to 65% following the conversion of a loan after the expiry of its fifth anniversary, thus changing the status of NeuroTargets from investment to a subsidiary.

Additional information is provided in the ANGLE plc Annual Report and Accounts 2011 and subsequent news releases.

The key performance indicators for the Company are those associated with the above investments being 1) for Acolyte – to secure the maximum settlement possible and get the cash paid promptly and 2) for NeuroTargets to successfully identify new targets and secure a new deal with the University of Bristol / Wellcome Trust.

The principal risks and uncertainties facing the Company are that the portfolio companies fail to secure the payment of a settlement and/or achieve commercial success, and as a consequence the Company is unable to realise its investments.

Results and dividends

The results for the year are set out on page 6. The Directors do not recommend the payment of a dividend for the year.

Directors

The following Directors have held office since 1 May 2010:

G P Evans (resigned 23 March 2011)
I F Griffiths
A D W Newland

Auditor

The auditor Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

PROGENY BIOVENTURES LIMITED

DIRECTORS' REPORT (Continued) **FOR THE YEAR ENDED 30 APRIL 2011**

Directors' responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare 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 those financial statements, the Directors are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgements and accounting estimates that are reasonable and prudent;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

By order of the Board



A D W Newland
Director
31 January 2012

PROGENY BIOVENTURES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROGENY BIOVENTURES LIMITED

We have audited the Financial Statements on pages 6 to 14. 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).

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 on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

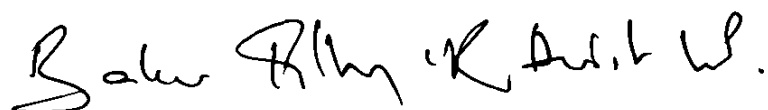
PROGENY BIOVENTURES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROGENY BIOVENTURES LIMITED (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Colin Roberts (Senior Statutory Auditor)
For and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

31 January 2012

PROGENY BIOVENTURES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 2011

	Notes	2011 £	2010 £
Turnover	2	658	3,955
Operating costs	3	(6,535)	(37,110)
Operating loss		(5,877)	(33,155)
Profit / (loss) on increase / (decrease) in value of current asset investment	6	-	272,012
Profit / (loss) on increase / (decrease) in value of other receivables	7	(485,465)	-
Profit / (loss) on ordinary activities before taxation		(491,342)	238,857
Tax on profit / (loss) on ordinary activities	4	-	-
Profit / (loss) on ordinary activities after taxation	10	(491,342) =====	238,857 =====

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

PROGENY BIOVENTURES LIMITED

BALANCE SHEET AS AT 30 APRIL 2011

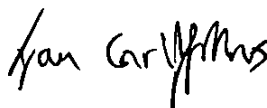
Company No: 03575952

	Notes	2011 £	2010 £
Fixed assets			
Investments	5	-	-
Current assets			
Investments	6	-	-
Debtors – due after one year	7	55,515	540,980
		<u>55,515</u>	<u>540,980</u>
Creditors: amounts falling due within one year	8	(1,608,965)	(1,603,088)
Net current assets /(liabilities)		<u>(1,553,450)</u>	<u>(1,062,108)</u>
Net assets /(liabilities)		<u>(1,553,450)</u> =====	<u>(1,062,108)</u> =====
Capital and reserves			
Called up share capital	9	1,000	1,000
Profit and loss account	10	(1,554,450)	(1,063,108)
Shareholders' funds /(deficit)	11	<u>(1,553,450)</u> =====	<u>(1,062,108)</u> =====

The Financial Statements on pages 6 to 14 were approved by the Board of Directors and authorised for issue on 31 January 2012 and are signed on its behalf by:



A D W Newland
Director



I F Griffiths
Director

PROGENY BIOVENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

1 Accounting policies

1.1 Accounting convention

The Financial Statements are prepared under the historical cost convention and on the going concern basis and in accordance with applicable United Kingdom accounting standards.

The Directors have, in accordance with the Companies Act 2006, departed from the standard format of the profit and loss account in presenting the Financial Statements. Profits and losses on disposals or impairments of fixed asset investments are included within operating profit as these represent a return from a principal class of business activity. Where the disposal is not entirely in cash, for example, it includes shares or an earn-out, then any subsequent change in value is outside of the Company's control and is shown below operating profit. Other material disposals of fixed assets, such as property, that are not part of the main business activities are shown below operating profit in accordance with the Companies Act 2006 and Financial Reporting Standard 3 – Reporting Financial Performance.

On the grounds the Company is a subsidiary where 90% or more of the voting rights are controlled within the Group and the results are contained in the consolidated accounts, the Company has taken advantage of the exemption conferred by Financial Reporting Standard 1 and has therefore not prepared a cash flow statement.

1.2 Going concern

The Directors of the ultimate parent company, ANGLE plc have confirmed their intention to continue to provide financial support to the Company.

The Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to continue in operational existence for the foreseeable future. The validity of this assumption depends on the ultimate parent company continuing to provide the funds necessary to support and develop the Company.

If the Company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

The Directors have prepared and reviewed the financial projections for the 12 month period from the date of signing of these Financial Statements and based on the projected income and expenditure and financial support of the ultimate parent company, the Directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future. Accordingly the going concern basis has been used in preparing the Financial Statements.

PROGENY BIOVENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2011

1.3 Turnover

Turnover represents amounts receivable for goods and services net of value added tax.

1.4 Research and Development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

1.5 Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based upon tax rates that have been enacted or substantially enacted at the reporting date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.6 Fixed asset investments

Fixed asset investments are carried at the lower of pre-transaction carrying amount or cost, less provision for permanent diminution in value. Carrying values are reviewed on a regular basis by the Directors. Provisions for permanent diminution in value are based upon an assessment of events or changes in circumstances that indicate an impairment has occurred. The Company holds all equity investments exclusively as part of its investment portfolio, with a view to their disposal and the ultimate realisation of capital gains.

The Directors consider that treating all investments consistently as a single asset class allows a better understanding of the Company's activities by removing the accounting variability of associate accounting methods.

All of the Company's participating interests are in companies and are referred to as "investments" throughout these Financial Statements.

1.7 Current asset investments

Short term investments are classified as current assets and are valued at the bid price at the balance sheet date.

1.8 Other receivables

Other receivables comprise the potential return from earn-outs or legal actions and are classified as current assets and shown as a debtor. Earn outs are a deferred payment conditional on the future performance of the acquired asset and are shown on the balance sheet at an estimated value. The Directors consider a number of valuation methodologies including a "balance of probabilities" and discounted cash flow in order to determine value. The earn-out is revalued based on any new information received relating to progress against plans, levels of sales and any other relevant factors. Legal actions may arise where the acquirer has not performed in accordance with the Share Purchase Agreement and, where the Directors believe there is a strong case, this is shown on the balance sheet at an estimated value of the payout. The value may be revised as future information becomes available.

PROGENY BIOVENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2011

1.9 Group accounts

The Financial Statements present information about the Company as an individual undertaking and not about its Group. The Company has not prepared group accounts as it is exempt from the requirement to do so by the Companies Act 2006 as it is a subsidiary undertaking of ANGLE Technology Limited, which is a wholly owned subsidiary of ANGLE plc, a company incorporated in Great Britain, and is included in the consolidated accounts of that company.

2 Turnover

The £658 total turnover of the Company (2010: £3,955) has been derived from the provision of Management Support Services to non-controlled investments in the UK.

3 Operating costs

	2011 £	2010 £
Auditor's remuneration - non-audit work	700	1,350
Other operating costs	5,835	35,760
	<u>6,535</u>	<u>37,110</u>
	=====	=====

Auditor's remuneration in respect of audit services has been borne by the parent company.

4 Tax on profit /(loss) on ordinary activities

As a result of the Company's furtherance of its core activity of developing its biotechnology companies, taxable losses have been incurred which are available for offset against future taxable profits. The Company is also eligible for, and takes advantage of, the substantial shareholdings relief UK corporation tax exemption. This results in the gain from any disposals of UK investments where the Group has an equity stake greater than 10%, and subject to certain other tests, being free of corporation tax. A deferred tax asset has not been recognised in respect of these losses as the Company does not anticipate taxable profits to arise within the immediate future.

	2011 £	2010 £
Current tax:		
UK corporation tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Tax on profit /(loss) on ordinary activities	<u>-</u>	<u>-</u>
	=====	=====

The estimated value of the deferred tax asset not recognised, excluding capital losses, measured at a standard rate of 26% (2010: 28%) is £351,532 (2010: £377,346).

PROGENY BIOVENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2011

4 Tax on profit /(loss) on ordinary activities (continued)

UK corporation tax	£	£
Profit / (loss) on ordinary activities before tax	(491,342)	238,857
	=====	=====
Tax on profit / (loss) on ordinary activities at 28% (2010: 28%)	(137,576)	66,880
Factors affecting tax charge:		
Disallowable expenses	419	2,245
Diminution in value of investment	135,930	(76,163)
Unutilised losses carried forward	1,227	7,038
	-----	-----
Current tax charge for year	-	-
	=====	=====

5 Fixed asset investments

	Shares in investments	Shares in subsidiaries	Total
Cost	£	£	£
At 1 May 2010	50,799	-	50,799
Transfer to subsidiary status	(50,799)	50,799	-
	-----	-----	-----
At 30 April 2011	-	50,799	50,799
	=====	=====	=====
Net Book Value			
At 1 May 2010 and at 30 April 2011	-	-	-
	=====	=====	=====

During the year ANGLE increased the Groups holding in NeuroTargets to 65%, inclusive of the Company's holding, following the conversion of a loan, thus changing the status NeuroTargets to subsidiary from investment.

Investments held at the year end comprise the following:

Company	Principal activity	Class	Shares held %
NeuroTargets Limited ⁽¹⁾⁽²⁾	New drug targets	Ordinary	10.76

(1) Incorporated in England & Wales

(2) The effective holdings shown are before a) the effects of any dilutive share options or warrants or convertible loans and b) additional Progeny holdings from convertible loans or warrants within the individual investments

The aggregate amount of capital and reserves and the results of these investments for the last relevant financial year were as follows:

	Date of financial statements	Net Liabilities	Loss for the year
		£	£
NeuroTargets Limited	30/04/2011	(312,031)	(40,846)
		=====	=====

Recent financial statements are not always publicly available and management information is deemed commercially sensitive. Net assets and profit / (loss) figures are therefore based on publicly available information – results statements or the most recently filed Accounts with Companies House

PROGENY BIOVENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2011

6	Current asset investments	2011	2010
		£	£
	Net Book value		
	Opening balance	-	255,754
	Disposals	-	(527,766)
	Change in value	-	272,012
	Closing balance	-	-
		=====	=====
	Market value		
	Listed investments at 30 April	-	-
		=====	=====

Current asset investments were valued at the bid price at the balance sheet date and comprised shares in Provexis plc which is listed on the Alternative Investment Market.

7	Debtors	2011	2010
		£	£
	Amounts falling due after one year		
	Other receivables	55,515	540,980
		=====	=====

Other receivables relates to the fair value ascribed to the eventual return expected from the sale of Acolyte Biomedica. Acolyte Biomedica (medical diagnostics / MRSA detection) was sold in February 2007. ANGLE was due an earn-out of up to £1.7 million receivable early in 2010. This is subject to dispute between the former Acolyte shareholders and the purchaser.

The legal action by the former major Acolyte shareholder, Porton Capital, in the UK courts against the purchaser, 3M, in respect of its share of the earn-out concluded after year end on 7 November 2011 when the judge handed down his judgement.

The judge found in favour of Porton Capital and in particular that 3M was "in breach of its obligation diligently to seek regulatory approval for BacLite in the US" and "in material breach of its obligation actively to market [BacLite]".

However the damages awarded against 3M were limited to only US\$1,299,808, which on a comparable basis would equate to US\$89,605 for Progeny BioVentures' earn-out.

These circumstances result in an adjusting post balance sheet event. The Directors believe that it is appropriate to impair the value the asset by £485,465 to £55,515 being the fair value based on the Court judgement.

ANGLE is currently awaiting any possible further developments in the case and in particular whether the judgment is appealed by Porton Capital which may lead to a change in the level of the award.

Once the situation is known, ANGLE expects to pursue its own claim against the purchaser. At present the Company has no exposure to legal costs.

PROGENY BIOVENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2011

8	Creditors: amounts falling due within one year	2011	2010
		£	£
	Accruals and deferred income	1,600	1,600
	Amounts owed to group undertakings	1,607,365	1,601,488
		<u>1,608,965</u>	<u>1,603,088</u>
		=====	=====

9	Share capital	2011	2010
		£	£
	Allotted, called up and fully paid		
	950 (2010: 950) Ordinary 'A' shares of £1 each	950	950
	50 (2010: 50) Ordinary 'B' shares of £1 each	50	50
		<u>1,000</u>	<u>1,000</u>
		=====	=====

The 'A' shares have voting rights while the 'B' shares have no voting rights. In all other respects the shares rank pari passu.

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 May 2010	(1,063,108)
Retained profit / (loss) for the year	<u>(491,342)</u>
Balance at 30 April 2011	<u>(1,554,450)</u>
	=====

11 Reconciliation of movements in shareholders' funds /(deficit)

	2011	2010
	£	£
Profit / (loss) for the financial year	(491,342)	238,857
Opening shareholders' funds /(deficit)	(1,062,108)	<u>(1,300,965)</u>
Closing shareholders' funds /(deficit)	<u>(1,553,450)</u>	<u>(1,062,108)</u>
	=====	=====

PROGENY BIOVENTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 APRIL 2011

12 Employment

There were no employees during the year. Other than Directors, who received no emoluments from the Company, staffing resources are provided by other Group companies.

13 Related party transactions

The Company provided executive management and support services to investments as follows:

Name	Relationship	Description	Revenues for year	Cost recharges
2011			£	£
NeuroTargets	Subsidiary	Management services	658	1,256
2010				
NeuroTargets	Associate	Management services	3,955	-

The Company has received working capital funding of £174 (2010: £nil) and executive management and support services of £5,566 (2010: £13,258) from its parent company ANGLE Technology Limited. There is an outstanding balance owed to ANGLE group companies at 30 April 2011 of £1,607,365 (2010: £1,601,488) in respect of these services.

Directors' interests

The Directors' beneficial interests in the share options of the ultimate holding company, ANGLE plc, were as stated below:

	Ordinary shares of 10p each	
	30 April 2011	1 May 2010
I F Griffiths	247,619	347,619
A D W Newland	648,675	688,675

14 Control

The parent undertaking of the largest group for which group accounts are prepared and of which the company is a member is ANGLE Plc, the company's ultimate holding company, which is registered in England. Copies of these group accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.