CURRENCYSHARES BRITISH POUND STERLING TRUST
Form 10-K
January 14, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended October 31, 2015

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 001-32906

CurrencyShares® British Pound Sterling Trust

Sponsored by Guggenheim Specialized Products, LLC,

d/b/a Guggenheim Investments

(Exact name of registrant as specified in its charter)

New York	**No. 03-6118853**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

805 King Farm Boulevard, Suite 600

Rockville, Maryland 20850

(Address of principal executive offices) (Zip Code)

(301) 296-5100

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

British Pound Sterling Shares	**NYSE Arca**
(Title of class)	**(Name of exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Aggregate market value of 300,000 shares of the registrant s common stock held by non-affiliates of the registrant, based on the closing price of a share of the registrant s common stock on April 30, 2015 as reported by NYSE Arca on that date: $45,198,000.

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PART I

Item 1. Business

Overview

The CurrencyShares® British Pound Sterling Trust (the Trust) is a grantor trust that was formed on June 8, 2006. The shares began trading on the New York Stock Exchange under the ticker symbol FXB on June 26, 2006. The primary listing of the Shares was transferred to NYSE Arca, Inc. (NYSE Arca) on October 30, 2007. The Trust issues shares (the Shares) in blocks of 50,000 (a Basket) in exchange for deposits of British Pound Sterling and distributes British Pound Sterling in connection with the redemption of Baskets.

The investment objective of the Trust is for the Shares to reflect the price in USD of British Pound Sterling plus accrued interest, if any, less the expenses of the Trust s operations. The Shares are intended to offer investors an opportunity to participate in the market for the British Pound Sterling through an investment in securities. The Shares are intended to provide institutional and retail investors with a simple, cost-effective means of gaining investment benefits similar to those of holding the British Pound Sterling. The Shares are bought and sold on NYSE Arca like any other exchange-listed security. The Shares are backed by the assets of the Trust, which does not hold or use derivative products. The Trust is a passive investment vehicle and does not have any officers, directors or employees. The Trust does not engage in any activities designed to obtain profit from, or ameliorate losses caused by, changes in the price of the British Pound Sterling. Investing in the Shares does not insulate the investor from certain risks, including price volatility. The value of the holdings of the Trust is reported on the Trust s website, www.currencyshares.com, each business day.

The Trust

General

The Trust holds British Pound Sterling and, from time to time, issues Baskets in exchange for deposits of British Pound Sterling and distributes British Pound Sterling in connection with redemptions of Baskets. The British Pound Sterling held by the Trust will be sold only (1) if needed to pay Trust expenses, (2) in the event the Trust terminates and liquidates its assets or (3) as otherwise required by law or regulation.

The Sponsor

The Sponsor of the Trust generally oversees the performance of the Trustee and the Trust s principal service providers, but does not exercise day-to-day oversight over the Trustee or the Trust s service providers. The Sponsor is Guggenheim Specialized Products, LLC, a Delaware limited liability company. The Sponsor changed its name from Rydex Specialized Products LLC as of March 30, 2012.

The Trust s only ordinary recurring expense is the Sponsor s fee. The Sponsor is responsible for payment of the following administrative and marketing expenses of the Trust: the Trustee s monthly fee, typical maintenance and transaction fees of the Depository, NYSE Arca listing fees, printing and mailing costs, audit fees and expenses, up to $100,000 per year in legal fees and expenses, and applicable license fees. The Sponsor also paid the costs of the Trust s organization, including the applicable SEC registration fees. The Sponsor s fee accrues daily at an annual nominal rate of 0.40% of the British Pound Sterling in the Trust (including all unpaid interest but excluding unpaid fees, each as accrued through the immediately preceding day). The Sponsor was paid $200,882 for the fiscal year ended October 31, 2015.

The Trustee

The Bank of New York Mellon, a banking corporation with trust powers organized under the laws of the State of New York, serves as the Trustee. The Trustee is responsible for the day-to-day administration of the Trust, including keeping the Trust s operational records.

Net Asset Value

The Trustee calculates, and the Sponsor publishes, the Trust s Net Asset Value (NAV) each business day. To calculate the NAV, the Trustee adds to the amount of British Pounds Sterling in the Trust at the end of the preceding day accrued but unpaid interest, if any, British Pounds Sterling receivable under pending purchase orders and the value of other Trust assets, and subtracts the accrued but unpaid Sponsor s fee, British Pounds Sterling payable under pending redemption orders and other Trust expenses and liabilities, if any. The NAV is expressed in U.S. Dollars (USD) based on the British Pound Sterling/USD exchange rate as determined by The WM Company, at 4:00 PM (London time / London fixing) (the Closing Spot Rate) on each day that NYSE Arca is open for regular trading. If, on a particular evaluation day, the Closing Spot Rate has not been determined and announced by 6:00 PM (London time), then the most recent Closing Spot Rate is used to determine the NAV of the Trust unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for the valuation.

The Trustee also determines the NAV per Share, which equals the NAV of the Trust divided by the number of outstanding Shares. The NAV of the Trust and the NAV per Share are published by the Sponsor on each day that NYSE Arca is open for regular trading and are posted on the Trust s website, www.currencyshares.com.

Depository and Deposit Accounts

JPMorgan Chase Bank, N.A., London Branch, is the Depository. The Depository maintains two deposit accounts for the Trust, a primary deposit account that may earn interest and a secondary deposit account that does not earn interest (collectively, the Deposit Accounts). Interest on the primary deposit account, if any, accrues daily and is paid monthly. If the Sponsor believes that the interest rate paid by the Depository is not competitive, the Sponsor s recourse is to remove the Depository by terminating the Deposit Account Agreement and closing the Deposit Accounts. The Depository is not paid a fee for its services to the Trust. The Depository may earn a spread or margin over the rate of interest it pays to the Trust on the British Pound Sterling deposit balances.

The secondary deposit account is used to account for any interest that may be received and paid on creations and redemptions of Baskets. The secondary deposit account is also used to account for interest earned on the primary deposit account, if any, pay Trust expenses and distribute any excess interest to Shareholders on a monthly basis. In the event that the interest deposited exceeds the sum of the Sponsor s fee for the prior month plus other Trust expenses, if any, then the Trustee will direct that the excess be converted into USD at a prevailing market rate and the Trustee will distribute the USD as promptly as practicable to Shareholders on a pro-rata basis (in accordance with the number of Shares that they own).

Trust Expenses

In certain exceptional cases the Trust may pay expenses in addition to the Sponsor s fee. These exceptions include expenses not assumed by the Sponsor, expenses resulting from a negative interest rate, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Trustee or the Sponsor on behalf of the Trust or action taken by the Trustee or the Sponsor to protect the Trust or the interests of Shareholders, indemnification of the Sponsor under the Depositary Trust Agreement, and legal expenses in excess of $100,000 per year.

Termination

The Trust will terminate upon the occurrence of any of the termination events listed in the Depositary Trust Agreement and will otherwise terminate on June 8, 2046.

The Shares

General

Each Share represents a proportional interest, based on the total number of Shares outstanding, in the British Pound Sterling owned by the Trust, plus accrued and unpaid interest, if any, less accrued but unpaid expenses (both asset-based and non-asset based) of the Trust. All Shares are of the same class with equal rights and privileges. Each Share is transferable, is fully paid and non-assessable and entitles the holder to vote on the limited matters upon which Shareholders may vote under the Depositary Trust Agreement.

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Limited Rights

The Shares are not a traditional investment. They are dissimilar from the shares of a corporation operating a business enterprise, with management and a board of directors. Trust Shareholders do not have rights normally associated with owning shares of a business corporation, including, for example, the right to bring oppression or derivative actions. Shareholders have only those rights explicitly set forth in the Depositary Trust Agreement. The Shares do not entitle their holders to any conversion or pre-emptive rights or, except as described herein, any redemption or distribution rights.

Voting and Approvals

Shareholders have no voting rights under the Depositary Trust Agreement, except in limited circumstances. If the holders of at least 25% of the Shares outstanding determine that the Trustee is in material breach of its obligations under the Depositary Trust Agreement, they may provide written notice to the Trustee (or require the Sponsor to do so) specifying the default and requiring the Trustee to cure such default. If the Trustee fails to cure such breach within 30 days after receipt of such notice, the Sponsor, acting on behalf of the Shareholders, may remove the Trustee. The holders of at least 66-2/3% of the Shares outstanding may vote to remove the Trustee. The Trustee must terminate the Trust at the request of the holders of at least 75% of the outstanding Shares.

Creation and Redemption of Shares

The creation and redemption of Baskets requires the delivery to the Trust or the distribution by the Trust of the amount of British Pound Sterling represented by the Baskets being created or redeemed. This amount is based on the combined NAV per Share of the number of Shares included in the Baskets being created or redeemed, determined on the day the order to create or redeem Baskets is accepted by the Trustee.

Only Authorized Participants may place orders to create and redeem Baskets. An Authorized Participant is a Depository Trust Company (DTC) participant that is a registered broker-dealer or other securities market participant, such as a bank or other financial institution that is not required to register as a broker-dealer to engage in securities transactions.

Before initiating a creation or redemption order, an Authorized Participant must have entered into a Participant Agreement with the Sponsor and the Trustee. The Participant Agreement provides the procedures for the creation and redemption of Baskets and for the delivery of British Pound Sterling required for creations and redemptions. The Participant Agreements may be amended by the Trustee and the Sponsor. Authorized Participants pay a transaction fee of $500 to the Trustee for each order that they place to create or redeem one or more Baskets. In addition to the $500 transaction fee paid to the Trustee, Authorized Participants pay a variable fee to the Sponsor for creation orders and redemption orders of two or more Baskets to compensate the Sponsor for costs associated with the registration of Shares. The variable fee paid to the Sponsor by an Authorized Participant will not exceed $2,000 for each creation or redemption order, as set forth in the Participant Agreement. Authorized Participants who make deposits with the Trust in exchange for Baskets receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust. No Authorized Participant has any obligation or responsibility to the Sponsor or the Trust to effect any sale or resale of Shares.

Availability of SEC Reports and Other Information

The Sponsor, on behalf of the Trust, files quarterly and annual reports and other information with the SEC. The reports and other information can be accessed through the Trust s website at www.currencyshares.com.

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Item 1A. Risk Factors

You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included in this report, including the Trust s financial statements and the related notes.

The value of the Shares relates directly to the value of the British Pound Sterling held by the Trust. Fluctuations in the price of the British Pound Sterling could materially and adversely affect the value of the Shares.

The Shares are designed to reflect the price of the British Pound Sterling, plus accumulated interest, if any, less the Trust s expenses. Several factors may affect the price of the British Pound Sterling, including:

- Sovereign debt levels and trade deficits;
- Domestic and foreign inflation rates and interest rates and investors expectations concerning those rates;
- Currency exchange rates;
- Investment and trading activities of mutual funds, hedge funds and currency funds; and
- Global or regional political, economic or financial events and situations.

In addition, the British Pound Sterling may not maintain its long-term value in terms of purchasing power in the future. When the price of the British Pound Sterling declines, the Sponsor expects the price of a Share to decline as well.

The British Pound Sterling/USD exchange rate, like foreign exchange rates in general, can be volatile and difficult to predict. This volatility could materially and adversely affect the performance of the Shares.

Foreign exchange rates are influenced by the factors identified in the preceding risk factor and may also be influenced by: changing supply and demand for a particular currency; monetary policies of governments (including exchange control programs, restrictions on local exchanges or markets and limitations on foreign investment in a country or on investment by residents of a country in other countries); changes in balances of payments and trade; trade restrictions; and currency devaluations and revaluations. Also, governments from time to time intervene in the currency markets, directly and by regulation, in order to influence prices directly. These events and actions are unpredictable. The resulting volatility in the British Pound Sterling/USD exchange rate could materially and adversely affect the performance of the Shares.

If interest earned by the Trust does not exceed the Trust s expenses, the Trustee will withdraw British Pounds Sterling from the Trust to pay these excess expenses, which will reduce the amount of British Pounds Sterling represented by each Share on an ongoing basis and may result in adverse tax consequences for Shareholders.

Each outstanding Share represents a fractional, undivided interest in the British Pounds Sterling held by the Trust. Recently, the amount of interest earned by the Trust has not exceeded the Trust s expenses; accordingly, the Trustee has been required to withdraw British Pounds Sterling from the Trust to pay these excess expenses. As long as the amount of interest earned does not exceed expenses, the amount of British Pounds Sterling represented by each Share will gradually decline over time. This is true even if additional Shares are issued in exchange for additional deposits of British Pounds Sterling into the Trust, as the amount of British Pounds Sterling required to create Shares will proportionately reflect the amount of British Pounds Sterling represented by the Shares outstanding at the time of creation. Assuming a constant British Pounds Sterling price, if expenses exceed interest earned, the trading price of the Shares will gradually decline relative to the price of the British Pounds Sterling as the amount of British Pounds Sterling represented by the Shares gradually declines. In this event, the Shares will only maintain their original price if the price of the British Pound Sterling increases. There is no guarantee that interest earned by the Trust in the future will exceed the Trust s expenses.

Investors should be aware that a gradual decline in the amount of British Pounds Sterling represented by the Shares may occur regardless of whether the trading price of the Shares rises or falls in response to changes in the price of British Pound Sterling. The estimated ordinary operating expenses of the Trust, which accrue daily, are described in Business The Trust Trust Expenses.

The payment of expenses by the Trust will result in a taxable event to Shareholders. To the extent Trust expenses exceed interest paid to the Trust, a gain or loss may be recognized by Shareholders depending on the tax basis of the tendered British Pounds Sterling.

The interest rate paid by the Depository, if any, may not be the best rate available. If the Sponsor determines that the interest rate is inadequate, then its sole recourse is to remove the Depository and terminate the Deposit Accounts.

The Depository is committed to endeavor to pay a competitive interest rate on the balance of British Pounds Sterling in the primary deposit account of the Trust, but there is no guarantee of the amount of interest that will be paid, if any, on this account. Interest on the primary deposit account, if any, accrues daily and is paid monthly. The Depository may change the rate at which interest accrues, including reducing the interest rate to zero or below zero, based upon the Depository s belief that Sterling Overnight Index Average (SONIA) does not accurately reflect the market, other market conditions or the Depository s liquidity needs. The Depository notifies the Sponsor of the interest rate applied each business day after the close of such business day. The Sponsor discloses the current interest rate on the Trust s website. If the Sponsor believes that the interest rate paid by the Depository is not adequate, the Sponsor s sole recourse is to remove the Depository and terminate the Deposit Accounts. The Depository is not paid a fee for its services to the Trust; rather, it generates income or loss based on its ability to earn a spread or margin over the interest it pays to the Trust by using the Trust s British Pounds Sterling to make loans or in other banking operations. For these reasons, you should not expect that the Trust will be paid the best available interest rate at any time or over time.

If the Trust incurs expenses in USD, the Trust would be required to sell British Pounds Sterling to pay these expenses. The sale of the Trust s British Pounds Sterling to pay expenses in USD at a time of low British Pound Sterling prices could adversely affect the value of the Shares.

The Trustee will sell British Pounds Sterling held by the Trust to pay Trust expenses, if any, incurred in USD, irrespective of then-current British Pound Sterling prices. The Trust is not actively managed and no attempt will be made to buy or sell British Pounds Sterling to protect against or to take advantage of fluctuations in the price of the British Pound Sterling. Consequently, if the Trust incurs expenses in USD, the Trust s British Pounds Sterling may be sold at a time when the British Pound Sterling price is low, resulting in a negative effect on the value of the Shares.

The Deposit Accounts are not entitled to payment at any office of JPMorgan Chase Bank, N.A. located in the United States.

The federal laws of the United States prohibit banks located in the United States from paying interest on unrestricted demand deposit accounts. Therefore, payments out of the Deposit Accounts will be payable only at the London branch of JPMorgan Chase Bank, N.A., located in England. The Trustee will not be entitled to demand payment of these accounts at any office of JPMorgan Chase Bank, N.A. that is located in the United States. JPMorgan Chase Bank, N.A. will not be required to repay the deposit if its London branch cannot repay the deposit due to an act of war, insurrection or civil strife or an action by a foreign government or instrumentality (whether *de jure* or *de facto*) in England.

Shareholders do not have the protections associated with ownership of a demand deposit account insured in the United States by the Federal Deposit Insurance Corporation or the protection provided for bank deposits under English law.

Neither the Shares nor the Deposit Accounts and the British Pounds Sterling deposited in them are deposits insured against loss by the FDIC, any other federal agency of the United States or the Financial Services Compensation

Scheme of England.

If the Depository becomes insolvent, its assets might not be adequate to satisfy a claim by the Trust or any Authorized Participant. In addition, in the event of the insolvency of the Depository or the U.S. bank of which it is a branch, there may be a delay and costs incurred in recovering the British Pounds Sterling held in the Deposit Accounts.

British Pounds Sterling deposited in the Deposit Accounts by an Authorized Participant are commingled with British Pounds Sterling deposited by other Authorized Participants and are held by the Depository in either the primary deposit account or the secondary deposit account of the Trust. British Pounds Sterling held in the Deposit Accounts are not segregated from the Depository s other assets. The Trust has no proprietary rights in or to any specific British Pounds Sterling held by the Depository and will be an unsecured creditor of the Depository with respect to the British Pounds Sterling held in the Deposit Accounts in the event of the insolvency of the Depository or the U.S. bank of which it is a branch. In the event the Depository or the U.S. bank of which it is a branch becomes insolvent,

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the Depository s assets might not be adequate to satisfy a claim by the Trust or any Authorized Participant for the amount of British Pounds Sterling deposited by the Trust or the Authorized Participant and, in such event, the Trust and any Authorized Participant will generally have no right in or to assets other than those of the Depository.

In the case of insolvency of the Depository or JPMorgan Chase Bank, N.A., the U.S. bank of which the Depository is a branch, a liquidator may seek to freeze access to the British Pounds Sterling held in all accounts by the Depository, including the Deposit Accounts. The Trust and the Authorized Participants could incur expenses and delays in connection with asserting their claims. These problems would be exacerbated by the fact that the Deposit Accounts are not held in the U.S. but instead are held at the London branch of a U.S. national bank, where they are subject to English insolvency law. Further, under U.S. law, in the case of the insolvency of JPMorgan Chase Bank, N.A., the claims of creditors in respect of accounts (such as the Trust s Deposit Accounts) that are maintained with an overseas branch of JPMorgan Chase Bank, N.A. will be subordinate to claims of creditors in respect of accounts maintained with JPMorgan Chase Bank, N.A. in the U.S., greatly increasing the risk that the Trust and the Trust s beneficiaries would suffer a loss.

Shareholders do not have the protections associated with ownership of shares in an investment company registered under the Investment Company Act of 1940.

The Investment Company Act is designed to protect investors by preventing: insiders from managing investment companies to their benefit and to the detriment of public investors; the issuance of securities having inequitable or discriminatory provisions; the management of investment companies by irresponsible persons; the use of unsound or misleading methods of computing earnings and asset value; changes in the character of investment companies without the consent of investors; and investment companies from engaging in excessive leveraging. To accomplish these ends, the Investment Company Act requires the safekeeping and proper valuation of fund assets, restricts greatly transactions with affiliates, limits leveraging, and imposes governance requirements as a check on fund management.

The Trust is not registered as an investment company under the Investment Company Act and is not required to register under that act. Consequently, Shareholders do not have the regulatory protections afforded to investors in registered investment companies.

Shareholders do not have the rights enjoyed by investors in certain other financial instruments.

As interests in a grantor trust, the Shares have none of the statutory rights normally associated with the ownership of shares of a business corporation, including, for example, the right to bring oppression or derivative actions. Apart from the rights afforded to them by federal and state securities laws, Shareholders have only those rights relative to the Trust, the Trust property and the Shares that are set forth in the Depositary Trust Agreement. In this connection, the Shareholders have limited voting and distribution rights. They do not have the right to elect directors. See Business - The Shares Limited Rights for a description of the limited rights of the Shareholders.

The Shares may trade at a price which is at, above, or below the NAV per Share.

The NAV per Share fluctuates with changes in the market value of the Trust s assets. The market price of Shares can be expected to fluctuate in accordance with changes in the NAV per Share, but also in response to market supply and demand. As a result, the Shares might trade at prices at, above or below the NAV per Share.

The Depository owes no fiduciary duties to the Trust or the Shareholders, is not required to act in their best interest and could resign or be removed by the Sponsor, which would trigger early termination of the Trust.

The Depository is not a trustee for the Trust or the Shareholders. As stated above, the Depository is not obligated to maximize the interest rate paid to the Trust. In addition, the Depository has no duty to continue to act as the depository of the Trust. The Depository can terminate its role as depository for any reason whatsoever upon 90 days notice to the Trust. If directed by the Sponsor, the Trustee must terminate the Depository. Such a termination might result, for example, if the Sponsor determines that the interest rate paid by the Depository is inadequate. In the event that the Depository was to resign or be removed, the Trust will be terminated.

Shareholders may incur significant fees upon the termination of the Trust.

The occurrence of any one of several events would either require the Trust to terminate or permit the Sponsor to terminate the Trust. For example, if the Depository were to resign or be removed, then the Sponsor would be required to terminate the Trust. Shareholders tendering their Shares within 90 days of the Trust s termination will receive the amount of British Pounds Sterling represented by their Shares. Shareholders may incur significant fees if they choose to convert the British Pounds Sterling they receive to USD.

If the United Kingdom adopts the euro as its currency, Shareholders may be unable to sell their Shares and may lose money on their investment. Furthermore, if the United Kingdom adopts the euro as its currency, then the Trust will terminate upon the Council of the European Union adopting an irrevocable conversion rate of British Pound Sterling to euro. If this occurs, Shareholders may lose money on their investment.

As a member of the European Union, the United Kingdom has the option to adopt the euro as its currency in lieu of the British Pound Sterling. If the United Kingdom adopts the euro as its currency by official act, the value of British Pound Sterling could depreciate, depending on, among other things, the relative value of the British Pound Sterling and the euro, the conversion ratio of British Pound Sterling per euro and the timing of the adoption of the euro. If the British Pound Sterling loses value, the value of the Shares would also depreciate and Shareholders may not be able to sell their Shares. Furthermore, if the United Kingdom adopts the euro as its currency, then the Trust will terminate upon the Council of the European Union adopting an irrevocable conversion rate of British Pound Sterling to euro. If the Trust terminates, it may liquidate at a time disadvantageous to Shareholders, such as when the price of the British Pound Sterling has declined below the price prevailing when Shareholders purchased their Shares.

Redemption orders are subject to rejection by the Trustee under certain circumstances.

The Trustee will reject a redemption order if the order is not in proper form as described in the Participant Agreement or if the fulfillment of the order, in the opinion of its counsel, might be unlawful. Any such rejection could adversely affect a redeeming Shareholder. For example, the resulting delay would adversely affect the value of the Shareholder s redemption distribution if the NAV were to decline during the delay. In the Depositary Trust Agreement, the Sponsor and the Trustee disclaim any liability for any loss or damage that may result from any such rejection.

Substantial sales of British Pounds Sterling by the official sector could adversely affect an investment in the Shares.

The official sector consists of central banks, other governmental agencies and multi-lateral institutions that buy, sell and hold British Pounds Sterling as part of their reserve assets. The official sector holds a significant amount of British Pounds Sterling that can be mobilized in the open market. In the event that future economic, political or social conditions or pressures require members of the official sector to sell their British Pounds Sterling simultaneously or in an uncoordinated manner, the demand for British Pounds Sterling might not be sufficient to accommodate the sudden increase in the supply of British Pounds Sterling to the market. Consequently, the price of the British Pound Sterling could decline, which would adversely affect an investment in the Shares.

Shareholders that are not Authorized Participants may only purchase or sell their Shares in secondary trading markets.

Only Authorized Participants may create or redeem Baskets through the Trust. All other investors that desire to purchase or sell Shares must do so through NYSE Arca or in other markets, if any, in which the Shares are traded.

The liability of the Sponsor and the Trustee under the Depositary Trust Agreement is limited and, except as set forth in the Depositary Trust Agreement, they are not obligated to prosecute any action, suit or other proceeding in respect of any Trust property.

The Depositary Trust Agreement provides that neither the Sponsor nor the Trustee assumes any obligation or is subject to any liability under the Trust Agreement to any Shareholder, except that they each agree to perform their respective obligations specifically set forth in the Depositary Trust Agreement without negligence or bad faith. Additionally, neither the Sponsor nor the Trustee is obligated to, although each may in its respective discretion, prosecute any action, suit or other proceeding in respect of any Trust property. The Depositary Trust Agreement does not confer upon Shareholders the right to prosecute any such action, suit or other proceeding.

The Depositary Trust Agreement may be amended to the detriment of Shareholders without their consent.

The Sponsor and the Trustee may amend most provisions (other than those addressing core economic rights) of the Depositary Trust Agreement without the consent of any Shareholder. Such an amendment could impose or increase fees or charges borne by the Shareholders. Any amendment that increases fees or charges (other than taxes and other governmental charges, registration fees or other expenses), or that otherwise prejudices any substantial existing rights of Shareholders, will not become effective until 30 days after written notice is given to Shareholders.

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The License Agreement with The Bank of New York Mellon may be terminated by The Bank of New York Mellon in the event of a material breach. Termination of the License Agreement might lead to early termination and liquidation of the Trust.

The Bank of New York Mellon and an affiliate of the Sponsor have entered into a License Agreement granting the Sponsor s affiliate a license to certain patent applications made by The Bank of New York Mellon covering systems and methods for securitizing a commodity. The Sponsor s affiliate has sublicensed the license to the Sponsor. The license is limited to a non-exclusive grant for the life of The Bank of New York Mellon s patents and patent applications. The License Agreement provides that each of the parties may provide notice of intent to terminate the License Agreement in the event the other party commits a material breach. If the License Agreement is terminated and one or more of The Bank of New York Mellon s patent applications issue as patents, then The Bank of New York Mellon may claim that the operation of the Trust violates its patent or patents and seek an injunction forcing the Trust to cease operation and the Shares to cease trading. In that case, the Trust might be forced to terminate and liquidate, which would adversely affect Shareholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The principal offices of the Sponsor and the Trust are at 805 King Farm Boulevard, Suite 600, Rockville, Maryland 20850, which is leased by an affiliate of the Sponsor. Neither the Sponsor nor the Trust owns or leases any other property.

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Following are the high and low sale prices of the Shares as reported by NYSE Arca for each of the quarters during the fiscal years ended October 31, 2015 and October 31, 2014:

Fiscal Year Ended October 31, 2015:	High	Low
Quarter Ended		
January 31, 2015	$ 157.20	$ 147.23
April 30, 2015	$ 152.45	$ 143.71
July 31, 2015	$ 155.83	$ 148.38
October 31, 2015	$ 154.71	$ 148.21

Fiscal Year Ended October 31, 2014:	High	Low
Quarter Ended		
January 31, 2014	$ 163.86	$ 156.86
April 30, 2014	$ 166.17	$ 160.66
July 31, 2014	$ 168.88	$ 164.48
October 31, 2014	$ 165.99	$ 156.31

The number of record holders of Shares of the registrant as of November 30, 2015 was approximately 65.

Although the Trust does not purchase Shares directly from its shareholders, the Trust redeemed Baskets from Authorized Participants in the fourth quarter of the fiscal year covered by this report as follows:

Month	Shares	Average Price
August	50,000	$ 153.59
September		$
October		$

The Trust did not distribute any cash dividends per Share during the fiscal years ended October 31, 2015 and October 31, 2014.

In the future, to the extent that the interest earned by the Trust, if any, exceeds the sum of the Sponsor s fee for the prior month plus other Trust expenses, if any, the Trust will distribute, as a dividend, the excess interest earned in British Pound Sterling effective on the first business day of the subsequent month. The Trustee will direct that the excess British Pound Sterling be converted into USD at a prevailing market rate and the Trustee will distribute the USD as promptly as practicable to Shareholders on a pro-rata basis (in accordance with the number of Shares that they own).

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Item 6. Selected Financial Data

Following are financial highlights for the fiscal years ended October 31, 2015, October 31, 2014, October 31, 2013, October 31, 2012 and October 31, 2011.

	Fiscal Year ended October 31, 2015	Fiscal Year ended October 31, 2014	Fiscal Year ended October 31, 2013	Fiscal Year ended October 31, 2012	Fiscal Year ended October 31, 2011
Income					
Interest income	$ 40,300	$ 38,379	$ 40,264	$ 104,673	$ 192,387
Total Income	40,300	38,379	40,264	104,637	192,387
Expenses					
Sponsor s fee	(200,882)	(278,701)	(273,412)	(367,500)	(498,370)
Total Expenses	(200,882)	(278,701)	(273,412)	(367,500)	(498,370)
Net Loss	$ (160,582)	$ (240,322)	$ (233,148)	$ (262,827)	$ (305,983)
Basic and Diluted Earnings per Share	$ (0.48)	$ (0.56)	$ (0.52)	$ (0.45)	$ (0.39)
Weighted-average Shares Outstanding	332,603	427,534	444,658	586,612	780,274
Cash Dividends per Share	$	$	$	$	$
Other Comprehensive Income/(Loss):					
Currency translation adjustment	486	412	(532)	(2,572)	(5,138)
Total Comprehensive Loss	$ (160,096)	$ (239,910)	$ (233,680)	$ (265,399)	$ (311,121)

As of October 31, 2015, total assets were $60,537,423, and for the fiscal year ended October 31, 2015, net cash flows were $(2,379,469).

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as anticipate, expect, intend, plan, believe, s outlook and estimate and other similar words. Forward-looking statements are based upon our current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance. Various factors may cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include fluctuations in the price of the British Pound Sterling, as the value of the Shares relates directly to the value of the British Pounds Sterling held by the Trust and price fluctuations could materially adversely affect an investment in the Shares. Readers are urged to review the Risk Factors section in this report for a description of other risks and uncertainties that may affect an investment in the Shares.

Neither Guggenheim Specialized Products, LLC d/b/a Guggenheim Investments (the Sponsor) nor any other person assumes responsibility for the accuracy or completeness of forward-looking statements contained in this report. The forward-looking statements are made as of the date of this report, and will not be revised or updated to reflect actual results or changes in the Sponsor s expectations or predictions.

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Movements in the Price of British Pound Sterling

The investment objective of the Trust is for the Shares to reflect the price in USD of the British Pound Sterling plus accrued interest, if any, less the expenses of the Trust s operations. The Shares are intended to provide institutional and retail investors with a simple, cost-effective means of gaining investment benefits similar to those of holding British Pounds Sterling. Each outstanding Share represents a proportional interest in the British Pounds Sterling held by the Trust. The following chart provides recent trends on the price of the British Pound Sterling. The chart illustrates movements in the price of the British Pound Sterling in USD and is based on the Closing Spot Rate:

Closing Spot Rate

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NAV per Share; Valuation of British Pound Sterling

The following chart illustrates the movement in the price of the Shares based on (1) NAV per Share, (2) the bid and ask midpoint offered on NYSE Arca and (3) the Closing Spot Rate, expressed as a multiple of 100 British Pounds Sterling:

FXB Price Movement

Liquidity

The Sponsor is not aware of any trends, demands, conditions or events that are reasonably likely to result in material changes to the Trust s liquidity needs. The Trust s Depository, JPMorgan Chase Bank, N.A., London Branch, maintains two deposit accounts for the Trust, a primary deposit account that may earn interest and a secondary deposit account that does not earn interest. Interest on the primary deposit account, if any, accrues daily and is paid monthly. The interest rate in effect as of October 31, 2015 was an annual nominal rate of 0.08%. The following chart provides the daily rate paid by the Depository since October 31, 2010:

FXB Daily Rate

In exchange for a fee, the Sponsor bears most of the expenses incurred by the Trust. As a result, the only ordinary expense of the Trust during the periods covered by this report was the Sponsor s fee. Each month the Depository deposits into the secondary deposit account accrued but unpaid interest, if any, and the Trustee withdraws British Pounds Sterling from the secondary deposit account to pay the accrued Sponsor s fee for the previous month plus other Trust expenses, if any. When the interest deposited, if any, exceeds the sum of the Sponsor s fee for the prior month plus other Trust expenses, if any, the Trustee converts the excess into USD at a prevailing market rate and distributes the USD as promptly as practicable to Shareholders on a pro-rata basis (in accordance with the number of Shares that they own). The Trust did not make any distributions during the quarter ended October 31, 2015.

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Sponsor s management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period covered by this report.

In addition to the description below, please refer to Note 2 to the financial statements for further discussion of our accounting policies.

The functional currency of the Trust is the British Pound Sterling in accordance with ASC 830, Foreign Currency Translation.

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Results of Operations

As of October 31, 2013, the number of British Pounds Sterling owned by the Trust was 29,593,513, resulting in a redeemable capital share value of $47,531,299. During the year ended October 31, 2014, an additional 550,000 shares were created in exchange for 54,135,736 British Pounds Sterling and 450,000 shares were redeemed in exchange for 44,264,919 British Pounds Sterling. In addition, 140,283 British Pounds Sterling were withdrawn to pay the portion of sponsor fee that exceeded interest earned. As of October 31, 2014, the number of British Pounds Sterling owned by the Trust was 39,324,047, resulting in a redeemable capital share value of $62,891,429. During the year ended October 31, 2015, an additional 500,000 shares were created in exchange for 49,037,380 British Pounds Sterling and 500,000 shares were redeemed in exchange for 49,058,362 British Pounds Sterling. In addition, 107,843 British Pounds Sterling were withdrawn to pay the portion of sponsor fee that exceeded interest earned. As of October 31, 2015, the number of British Pounds Sterling owned by the Trust was 39,195,222 resulting in a redeemable capital share value of $60,518,104.

A decrease in the Trust s redeemable capital share value from $62,891,429 at October 31, 2014 to $60,518,104 at October 31, 2015, was primarily the result of a decrease in the Closing Spot Rate from 1.5998 at October 31, 2014 to 1.5444 at October 31, 2015. An increase in the Trust s redeemable capital share value from $47,531,299 at October 31, 2013 to $62,891,429 at October 31, 2014, was primarily the result of an increase in the number of Shares outstanding from 300,000 at October 31, 2013 to 400,000 at October 31, 2014. The increase in redeemable capital share value was partially offset by a decrease in the Closing Spot Rate from 1.6066 at October 31, 2013 to 1.5998 at October 31, 2014.

Interest income increased from $38,379 for the year ended October 31, 2014 to $40,300 for the year ended October 31, 2015 attributable primarily to an increase in the annual nominal interest rate paid by the Depository, as set forth in the chart above. This increase in interest income was partially offset by a decrease in the weighted-average British Pounds Sterling in the Trust. Interest income decreased from $40,264 for the year ended October 31, 2013 to $38,379 for the year ended October 31, 2014, attributable primarily to a decrease in the weighted-average British Pounds Sterling in the Trust.

The Sponsor s fee accrues daily at an annual nominal rate of 0.40% of the British Pounds Sterling in the Trust. Due primarily to a decrease in the weighted-average British Pounds Sterling in the Trust, the Sponsor s fee decreased from $278,701 for the year ended October 31, 2014 to $200,882 for the year ended October 31, 2015. The only expense of the Trust during the year ended October 31, 2015 was the Sponsor s fee. Due primarily to an increase in the closing spot rate as set forth in the previous Closing Spot Rate chart, the Sponsor s fee increased from $273,412 for the year ended October 31, 2013 to $278,701 for the year ended October 31, 2014. The increase in Sponsor s fee was partially offset by a decrease in the weighted-average British Pounds Sterling in the Trust. The only expense of the Trust during the year ended October 31, 2014 was the Sponsor s fee.

The Trust s net loss for the year ended October 31, 2015 was $160,582 as a result of the Sponsor s fee of $200,882 exceeding interest income of $40,300. The Trust s net loss for the year ended October 31, 2014 was $240,322 due to the Sponsor s fee of $278,701 exceeding interest income of $38,379. The Trust s net loss for the year ended October 31, 2013 was $233,148, due to the Sponsor s fee of $273,412 exceeding interest income of $40,264.

Cash dividends were not paid by the Trust in the years ended October 31, 2015, October 31, 2014 and October 31, 2013 as the Trust s interest income did not exceed the Trust s expenses during those periods.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Except as described above with respect to the British Pound Sterling/USD exchange rate and the nominal annual interest rate paid by the Depository on British Pound Sterling held by the Trust, the Trust is not subject to market risk. The Trust does not hold securities and does not invest in derivative instruments.

Item 8. Financial Statements and Supplementary Data

See Index to Financial Statements on page F-1 f; MARGIN-LEFT: 18pt; FONT-SIZE: 10pt">Selling and marketing

4,323,084

3,734,042

8,950,493

7,698,877

Amortization

7,826

215,681

14,474

431,290

7,150,283

5,576,491

13,844,763

11,411,822

Operating loss

(1,915,250
)

(641,614
)

(3,516,936
)

(1,655,409
)

Other income (expense)

Interest income

5,476

10,931

14,740

23,509

Foreign currency exchange gain (loss)

(1,339
)

5,794

(4,034
)

(3,877
)

4,137

16,725

10,706

19,632

Loss before income taxes

(1,911,113
)

(624,889
)

(3,506,230
)

(1,635,777
)

Income tax expense	16,367	14,637	30,542	23,104
Net loss	$ (1,927,480)	$ (639,526)	$ (3,536,772)	$ (1,658,881)
Basic and diluted net loss per common share	$ (0.09)	$ (0.03)	$ (0.17)	$ (0.08)

Weighted average common shares outstanding:

Basic and diluted

21,076,570

20,763,345

20,921,693

20,753,368

See accompanying notes to the Condensed Consolidated Financial Statements.

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UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2013	2012	2013	2012
Net loss	$(1,927,480)	$(639,526)	$(3,536,772)	$(1,658,881)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	72,811	36,466	93,419	(44,633)
Unrealized gain on available-for-sale investments	2,657	2,941	2,817	2,151
Pension adjustments	(15,923)	(7,116)	(19,555)	(465)
Total other comprehensive income (loss), net of tax	59,545	32,291	76,681	(42,947)
Comprehensive net loss	$(1,867,935)	$(607,235)	$(3,460,091)	$(1,701,828)

See accompanying notes to the Condensed Consolidated Financial Statements.

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UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Six Months Ended September 30, 2013
(Unaudited)

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at March 31, 2013	21,005,582	$210,056	$55,866,338	$(38,820,981)	$ (569,177)	$16,686,236
Share-based compensation	331,676	3,317	917,412	-	-	920,729
Proceeds from exercise of stock options, net of shares exchanged	130,132	1,301	68,059	-	-	69,360
Comprehensive net loss	-	-	-	(3,536,772)	76,681	(3,460,091)
Balance at September 30, 2013	21,467,390	$214,674	$56,851,809	$(42,357,753)	$ (492,496)	$14,216,234

See accompanying notes to the Condensed Consolidated Financial Statements.
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UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended September 30	
	2013	2012
Cash flows from operating activities:		
Net loss	$(3,536,772)	$(1,658,881)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	179,123	576,665
(Gain) loss on disposal of equipment	(5,000)	2,797
Amortization of premium on marketable securities	6,070	26,716
Share-based consulting expense	-	1,623
Share-based compensation expense	920,729	353,060
Deferred income tax expense	4,979	2,860
Deferred rent	(18,526)	(18,374)
Changes in operating assets and liabilities:		
Accounts receivable, net	197,216	100,537
Inventories	97,787	(175,833)
Other current assets	127,104	(102,998)
Accounts payable	51,232	26,516
Accrued compensation	(51,129)	(68,162)
Accrued liabilities, other	(78,619)	78,202
Accrued pension liability, net	(137,089)	(36,401)
Net cash used in operating activities	(2,242,895)	(891,673)
Cash flows from investing activities:		
Proceeds from maturity of available-for-sale investments	2,000,000	2,000,000
Proceeds from maturity of held-to-maturity investments	3,940,000	3,800,000
Purchases of available-for-sale investments	-	(3,218,286)
Purchases of held-to-maturity investments	-	(1,780,000)
Purchases of property, plant and equipment	(208,768)	(93,981)
Proceeds from sale of property, plant and equipment	6,773	7,276
Payments for intangible assets	(41,300)	(4,440)
Net cash provided by investing activities	5,696,705	710,569
Cash flows from financing activities:		
Proceeds from exercise of options	69,360	150,000
Net cash provided by financing activities	69,360	150,000
Effect of exchange rate changes on cash and cash equivalents	34,724	(10,580)
Net increase (decrease) in cash and cash equivalents	3,557,894	(41,684)
Cash and cash equivalents at beginning of period	3,533,864	4,653,226
Cash and cash equivalents at end of period	$7,091,758	$4,611,542

Cash paid during the period for income taxes	$25,334	$35,507

See accompanying notes to the Condensed Consolidated Financial Statements.

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UROPLASTY, INC. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

We have prepared our Condensed Consolidated Financial Statements included in this Form 10-Q, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, pursuant to such rules and regulations, although we believe that our disclosures are adequate to make the information not misleading. The consolidated results of operations for any interim period are not necessarily indicative of results for a full year. These Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2013 as amended by Form 10-K/A.

The Condensed Consolidated Financial Statements presented herein as of September 30, 2013 and for the three- and six-month periods ended September 30, 2013 and 2012 reflect, in the opinion of management, all material adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the consolidated financial position, results of operations and cash flows for the interim periods.

All amounts included in the Notes to Consolidated Condensed Financial Statements are in thousands, except for share and per share data, and as specified otherwise.

2. Newly Adopted Accounting Pronouncements

In February 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The guidance is effective for annual and interim periods beginning after December 15, 2012. The Company adopted ASU 2013-02 effective April 1, 2013 and its adoption did not have a material impact on the Company's financial position, results of operations or liquidity.

In July 2013, the FASB issues ASU No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU No. 2013-11 provides financial statement presentation guidance on whether an unrecognized tax benefit must be presented as either a reduction to a deferred tax asset or separately as a liability. ASU No. 2013-11 will be effective for fiscal years and interim periods within those years, beginning after December 15, 2013. We do not believe the adoption of this update will have a material impact on our financial statements.

3. Fair Value Measurements

Estimates of fair value for financial assets and liabilities are based on the framework established in the accounting guidance for fair value measurements. The framework defines fair value, provides guidance for measuring fair value and requires certain disclosures. The framework prioritizes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three broad levels of inputs may be used to measure fair value under the fair value hierarchy:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

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- Level 3: Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

If the inputs used to measure the financial assets and liabilities fall within more than one of the different levels described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table provides the assets carried at fair value measured on a recurring basis.

Asset Class	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2013				
Short-term investments:				
U.S. Government and Agency debt securities	$5,205	$ -	$ 5,205	$ -
Long-term investments:				
U.S. Government and Agency debt securities	-	-	-	-
March 31, 2013				
Short-term investments:				
U.S. Government and Agency debt securities	3,757	-	3,757	-
Long-term investments:				
U.S. Government and Agency debt securities	3,452	-	3,452	-

Our U.S. Government and U.S. Government Agency debt securities consist of bonds, notes and treasury bills with risk ratings of AAA/Aaa. The estimated fair value of these securities represents valuations provided by external investment managers.

The carrying amounts reported in the Condensed Consolidated Balance Sheets for short-term and long-term investments include certificates of deposit of $240 and $4,180 at September 30, 2013 and March 31, 2013, respectively, for which, due to the negligible risk of changes in value resulting from changes in interest rates and the short-term nature of these investments, cost approximates fair market value.

The carrying amounts reported in the Condensed Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, inventories, other current assets, accounts payable and accrued liabilities approximate fair market value.

4. Accounts Receivable

The allowance for doubtful accounts was $70 at September 30, 2013 and $87 at March 31, 2013.

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5. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories consist of the following:

	September 30, 2013	March 31, 2013
Raw materials	$ 144	$ 219
Work-in-process	32	21
Finished goods	449	479
	$ 625	$ 719

6. Net Loss per Common Share

The following potentially dilutive options to purchase shares of common stock and unvested restricted common stock at September 30 were excluded from diluted net loss per common share because of their anti-dilutive effect, and therefore, basic net loss per common share equals dilutive net loss per common share for all periods presented in our Consolidated Statements of Operations:

	Number of options and unvested restricted stock	Range of stock option exercise prices
September 30, 2013	1,802,564	$0.77 to $3.25
September 30, 2012	1,277,235	$0.77 to $3.76

7. Share-based Compensation

As of September 30, 2013, we had one active plan for share-based compensation grants. Under the plan, if we have a change in control, all outstanding grants, including those subject to vesting or other performance targets, fully vest immediately. Under this plan, as of September 30, 2013 we had reserved 3,450,000 shares of our common stock for share-based grants, which includes an additional 750,000 shares as approved by the shareholders at our annual meeting on September 12, 2013. As of September 30, 2013, we had 834,467 shares remaining that were available for grant.

On July 23, 2013, and in connection with the commencement of his employment, our new CEO received a stock grant of 300,000 shares under the 2006 Stock and Incentive Plan that did not carry vesting restrictions.

We recognize share-based compensation expense in the statement of operations based on the fair value of the share-based payment over the requisite service period. We incurred approximately $921and $355 in share-based compensation and consulting expense for the six months ended September 30, 2013 and 2012 (inclusive of $2 in 2012 for option grants to consultants), respectively.

As of September 30, 2013, we had approximately $2,137 of unrecognized share-based compensation expense, net of estimated forfeitures, related to stock options and restricted shares that we expect to recognize over a weighted-average period of approximately 2.6 years.

Options. We grant option awards with an exercise price equal to the closing market price of our stock at the date of the grant. Options granted under this plan generally expire over a period ranging from five to seven years from date of grant and vest at varying rates ranging up to three years.

We determined the fair value of our option awards using the Black-Scholes option pricing model. We used the following weighted-average assumptions to value the options granted during the six months ended September 30:

	2013	2012
Expected life in years	4.51	5.59
Risk-free interest rate	1.35 %	0.95 %
Expected volatility	89.43 %	91.16 %
Expected dividend yield	0 %	0 %
Weighted-average grant date fair value	$1.65	$2.61

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The expected life selected for options granted during the six-months represents the period of time that we expect our options to be outstanding based on management's expectation of option holder exercise and termination behavior for similar grants. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate over the expected life at the time of grant. Expected volatilities are based upon historical volatility of our stock. We estimate an average forfeiture rate for stock awards of 6.3% based on our historical experience.

The following table summarizes the activity related to our stock options during the six months ended September 30, 2013:

	Number of shares	Weighted average exercise price	Weighted average remaining life in years	Aggregate intrinsic value
Outstanding at March 31, 2013	2,015,889	$ 3.51	2.64	$ 598
Options granted	855,125	2.47		
Options exercised	(130,132)	0.88		
Options surrendered	(260,199)	3.76		
Outstanding at September 30, 2013	2,480,683	$ 3.26	3.91	1,657
Exercisable at September 30, 2013	1,455,279	$ 3.69	1.98	859

The total fair value of stock options that vested during the six months ended September 30, 2013 and 2012 was $315 and $386, respectively.

Restricted Stock. Our 2006 Stock and Incentive Plan also permit our Compensation Committee to grant other stock-based benefits, including restricted shares. Restricted shares are subject to risk of forfeiture for termination of employment. The forfeiture risk generally lapses over a period of three to four years.

The following table summarizes the activity related to our restricted shares during the six months ended September 30, 2013:

	Number of Shares	Weighted average grant date fair value	Weighted average remaining life in years	Aggregate intrinsic value
Balance at March 31, 2013	180,085	$ 4.39	1.50	$ 790
Shares granted	121,750	3.06		
Shares vested	(29,197)	4.71		
Shares forfeited	(90,074)	4.38		
Balance at September 30, 2013	182,564	3.45	2.45	630

The aggregate intrinsic value shown above for the restricted shares represents the total pre-tax value based on the closing price of our Company's common stock on the grant date.

8. Savings and Retirement Plans

We sponsor various retirement plans for eligible employees in the United States, the United Kingdom (UK), and The Netherlands. Our retirement savings plan in the United States conforms to Section 401(k) of the Internal Revenue Code and participation is available to substantially all employees. We may also make discretionary contributions ratably to all eligible employees. We made discretionary contributions to the U.S. plan of $113 and $121 for the six months ended September 30, 2013 and 2012, respectively.

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Our international subsidiaries have defined benefit retirement plans for eligible employees. These plans provide benefits based on the employee's years of service and compensation during the years immediately preceding retirement, termination, disability, or death, as defined in the plans.

The cost for our defined benefit retirement plans in The Netherlands and the United Kingdom includes the following components for the three- and six-month periods ended
September 30:

	Three Months Ended September 30		Six Months Ended September 30	
	2013	2012	2013	2012
Gross service cost	$31	$ 19	$62	$ 37
Interest cost	34	30	69	61
Expected return on assets	(20)	(5)	(40)	(9)
Amortization	2	1	3	2
Net periodic retirement cost	$47	$ 45	$94	$ 91

9. Business Segment Information

We aggregate our operating segments into one reportable segment in accordance with the objectives and principles of the applicable guidance.

Net sales to customers outside the United States for the three months ended September 30, 2013 and 2012 represented 25% and 26%, respectively, of our consolidated net sales. Net sales to customers outside the United States for the six months ended September 30, 2013 and 2012 represented 26% and 27%, respectively, of our consolidated net sales.

Information regarding net sales to customers by geographic area for the three and six months ended September 30 is as follows:

	United States	All Other Foreign Countries (1)	Consolidated
Three months ended September 30, 2013	$4,478	$ 1,499	$ 5,977
Three months ended September 30, 2012	$4,219	$ 1,491	$ 5,710
Six months ended September 30, 2013	$8,763	$ 3,055	$ 11,818
Six months ended September 30, 2012	$8,280	$ 3,007	$ 11,287

(1) No country accounts for 10% or more of the consolidated net sales

Information regarding geographic area in which we maintain long-lived assets is as follows:

	United States	All Other Foreign Countries (1)	Consolidated
September 30, 2013	$ 487	$ 621	$ 1,108
March 31, 2013	$ 434	$ 599	$ 1,033

(1) Substantially all maintained in The Netherlands

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Accounting policies of the operations in the various geographic areas are the same as those described in Note 1. Net sales attributed to each geographic area are net of intercompany sales. No single customer represents 10% or more of our consolidated net sales. Long-lived assets consist of property, plant and equipment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We recommend that you read this Report on Form 10-Q in conjunction with our Annual Report on Form 10-K for the year ended March 31, 2013 as amended by Form 10-K/A.

Forward-looking Statements

This Form 10-Q contains "forward-looking statements" relating to projections, plans, objectives, estimates, and other statements of future economic performance. These forward-looking statements are subject to known and unknown risks and uncertainties relating to our future performance that may cause our actual results, performance, or achievements, or industry results, to differ materially from those expressed or implied in any such forward-looking statements. Our business operates in highly competitive markets and our ability to achieve the results implied by our forward looking statements is subject to changes in general economic conditions, competition, reimbursement levels, customer and market preferences, government regulation, the impact of tax regulation, foreign exchange rate fluctuations, the degree of market acceptance of products, the uncertainties of potential litigation, as well as other risks and uncertainties detailed elsewhere herein and in our Annual Report filed on Form 10-K for the year ended March 31, 2013 as amended by Form 10-K/A.

We do not undertake, nor assume any obligation, to update any forward-looking statement that we may make from time to time.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require us to make estimates and assumptions in certain circumstances that affect amounts reported. In preparing these consolidated financial statements, we have made our best estimates and judgments of certain amounts, giving due consideration to materiality.

We have identified in our Annual Report on Form 10-K for the year ended March 31, 2013 as amended by Form 10-K/A as "critical accounting policies," certain accounting policies that we consider important to the portrayal of our results of operations and financial position and which may require the application of a higher level of judgment by our management, and as a result are subject to an inherent level of uncertainty. Management made no significant changes to the Company's critical accounting policies during the six months ended September 30, 2013.

Overview

We are a medical device company that develops, manufactures and markets innovative, proprietary products for the treatment of voiding dysfunctions. Our primary focus is on two products: the Urgent PC® Neuromodulation System, which we believe is the only FDA-cleared, minimally invasive, office-based neuromodulation therapy for the treatment of overactive bladder (OAB) and associated symptoms of urinary urgency, urinary frequency, and urge incontinence; and Macroplastique® Implants, a urethral bulking agent for the treatment of adult female stress urinary incontinence primarily due to intrinsic sphincter deficiency (ISD). Outside of the U.S., our Urgent PC System is also approved for treatment of fecal incontinence, and Macroplastique is also approved for treatment of male stress incontinence and vesicoureteral reflux.

Our results of operations during the three and six months ended September 30, 2013 reflect growth in our Urgent® PC sales due to new sales strategies, a refocused sales organization, the administrative costs of a detailed review of our internal control over financial reporting, and of significant changes in executive management. As disclosed in our Annual Report on Form 10-K for the year ended March 31, 2013, and although there were no material errors in the amounts reported in our financial statements, we concluded that that we had a material weakness in our internal controls over financial reporting as of March 31, 2013, and devoted significant resources to identifying and remediating those weaknesses during the quarter. Further in April, our Chief Executive Officer resigned, and we appointed Robert Kill as our interim Chief Executive Office in April and as CEO and President in July. In July 2013, our Chief Financial Officer retired, and in August 2013, Brett Reynolds became our new Senior VP and CFO.

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As of October 31, 2013, we had Medicare coverage for Urgent PC in 40 states covering approximately 40 million lives, and we estimate private payers insuring approximately 106 million lives provide coverage for Urgent PC.

Effective September 9, 2013, three states (MN, WI, IL with approximately 3.7 million covered lives) that were under the jurisdiction of Wisconsin Physician Services transitioned to National Government Services (or "NGS"). NGS is currently the only Medicare Administrative Contractor (MAC) out of the nine MAC's that declines reimbursement coverage for Urgent PC. Until a new coverage policy is available, patients in the three Midwest states that transitioned to NGS during the quarter who have already started active treatment will be "grandfathered" so they may continue to receive up to 12 treatments, but new patients utilizing Urgent PC will not have reimbursement. NGS is expected to make a decision on coverage for PTNS by the end of the calendar year.

Effective October 25, 2013, five New England states (Massachusetts, Maine, Rhode Island, New Hampshire and Vermont with approximately 1.9 million covered lives) that were under the jurisdiction of National Heritage Insurance Company transitioned to NGS. Patients in the five New England states that transitioned to NGS in October who have already started active treatment will be "grandfathered" so they may continue to receive up to 12 treatments, but new patients utilizing Urgent PC will not have reimbursement.

It is expected that the Centers for Medicare and Medicaid Services (CMS) will continue to consolidate the regional Medicare Administrative Contractors and there is no guarantee that Medicare beneficiaries in a region with reimbursement coverage will continue to be reimbursed when consolidated into a regional Medicare carrier with a negative reimbursement policy, or, if reimbursed, that coverage will remain unchanged.

Humana, Inc., the sixth largest private insurer in the US with approximately 12 million covered lives nationwide, implemented a positive coverage policy for OAB treatment using Urgent PC in starting in late October, 2013. Humana is also the administrator for Tricare South and several Medicare Advantage plans.

We have a comprehensive program to educate the medical directors of both Medicare and private payers regarding the clinical effectiveness, cost effectiveness and patient benefits of using our Urgent PC System. We continue to work with the medical directors to expand coverage of Urgent PC, and to ensure that coverage continues after the number of Medicare regions are consolidated and regional Medicare administrators are transitioned.

Results of Operations

Three and six months ended September 30, 2013 compared to three and six months ended September 30, 2012 (dollars in thousands except for per share data)

Net Sales: During the three months ended September 30, 2013, consolidated net sales of $5,977 represented a $267, or a 5% increase, over net sales of $5,710 for the three months ended September 30, 2012. During the six months ended September 30, 2013, consolidated net sales of $11,818 represented a $531, or a 5% increase, over net sales of $11,287 for the six months ended September 30, 2012.

The increase in consolidated net sales for the three and six months ended September 30, 2013 is mainly attributed to the sales growth of our Urgent PC product, partially offset by a decrease in sales of our Macroplastique product.

Net sales to customers in the U.S. of $4,478 during the three months ended September 30, 2013, represented an increase of $258, or 6%, over net sales of $4,219 for the three months ended September 30, 2012. Net sales to customers in the U.S. of $8,763 during the six months ended September 30, 2013, represented an increase of $483, or 6%, over net sales of $8,280 for the six months ended September 30, 2012.

Net sales in the U.S. of our Urgent PC product increased 11% to $3,051 for the three months ended September 30, 2013, from $2,746 for the same period last year. Net sales in the U.S. of our Urgent PC product increased 10% to $5,825 for the six months ended September 30, 2013, from $5,275 for the same period last year. Net sales increased as a result of overall improved sales execution of our Urgent PC products within the U.S. and the impact of new account conversions in states that now have positive Medicare reimbursement coverage.

Net sales in the U.S. of our Macroplastique product decreased 6%, or $81, to $1,355 for the three months ended September 30, 2013, compared to the same period last year. Net sales in the U.S. of our Macroplastique product decreased 3%, or $94, to $2,843 for the six months ended September 30, 2013, compared to the same period last year. The sales decrease is attributed primarily to the shift in sales focus from Macroplastique to Urgent PC.

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Net sales to customers outside the U.S. for the three months ended September 30, 2013 remained flat at $1,499. Net sales to customers outside the U.S. for the six months ended September 30, 2013 increased 2% to $3,055 compared to $3,007 for the six months ended September 30, 2012.

Urgent PC sales to customers outside of the U.S. of $567 for the three months ended September 30, 2013 increased 11% from $510 for the same period last year. Urgent PC sales to customers outside of the U.S. of $1,194 for the six months ended September 30, 2013 increased 12% from $1,066 for the same period last year. The increase in sales is due to higher sales in the U.K. where we have our direct sales force.

Macroplastique sales to customers outside of the U.S. declined 2% to $648 in the second fiscal quarter over the corresponding year ago period, and declined 6% to $1,335 for the six months ended September 30, 2013, over the corresponding year ago period. The sales decrease is attributed primarily to the shift in sales focus from Macroplastique to Urgent PC.

Gross Profit: Gross profit was $5,235, or 87.6% of net sales during the three months ended September 30, 2013, and $4,935, or 86.4% of net sales for the three months ended September 30, 2012. Gross profit was $10,328, or 87.4% of net sales during the six months ended September 30, 2013, and $9,756, or 86.4% of net sales for the six months ended September 30, 2012. The increase in gross profit percentage of 1.2% and 1.0% for the three and six month periods, respectively, is attributed primarily to the favorable impact from a change in product mix and reduced royalty payments. Starting with fiscal year 2014, we no longer pay royalties on sales of our bulking agent products in markets outside of the U.S.

General and Administrative Expenses (G&A): G&A expenses of $2,391 during the three months ended September 30, 2013, increased $1,363 from $1,028 during the same period in 2012. $801 of this increase is attributed to changes in executive management, of which $725 is non-cash, share-based compensation expense. Further, we incurred $430 in legal and accounting fees pertaining to the review of certain internal control issues.

G&A expenses of $3,971 during the six months ended September 30, 2013, increased $1,852 from $2,120 during the same period in 2012. $930 of this increase is attributed to changes in executive management, of which $561 is non-cash, share based compensation expense. Further, we incurred $1,100 in legal and accounting fees pertaining to the review of certain internal control issues.

Research and Development Expenses (R&D): R&D expenses of $429 during the three months ended September 30, 2013, decreased $170 from $599 during the same period in 2012. The decrease for the three-month period is attributed primarily to a $200 expense in the prior fiscal year for costs incurred for product testing and validation of the planned replacement of components for one of our products.

R&D expenses of $908 during the six months ended September 30, 2013, decreased $254 from $1,162 during the same period in 2012. The decrease is attributed primarily to a $300 expense in the prior fiscal year six-month period for product testing and validation of the planned replacement of components for one of our products, offset by a $40 increase in costs attributed to clinical studies, and a $36 increase in personnel costs.

Selling and Marketing Expenses (S&M): S&M expenses of $4,323 during the three months ended September 30, 2013, increased $589, from $3,734, during the same period in 2012. The increase is attributed primarily to a $411 increase in personnel and travel costs due to the expansion and reorganization of our selling and marketing team, and $74 for the newly introduced Medical Device Tax.

S&M expenses of $8,950 during the six months ended September 30, 2013, increased $1,252 from $7,699 during the same period in 2012. The increase is attributed primarily to an $800 increase in personnel and travel costs due to the expansion and reorganization of our selling and marketing team, $146 for the newly introduced Medical Device Tax, and a $109 increase in marketing costs related to product promotion and education, advertising, trade shows and conventions.

Amortization of Intangibles: Amortization of intangibles was $8 and $216 for the three months ended September 30, 2013 and 2012, respectively. Amortization of intangibles was $14 and $431 for the six months ended September 30, 2013 and 2012, respectively. In April 2007, we acquired from CystoMedix, Inc., certain intellectual property assets related to the Urgent PC system for $4,700, which became fully amortized in fiscal 2013.

Other Income (Expense): Other income (expense) includes interest income and foreign currency exchange gains and losses. Net other income was $4 and $17 for the three months ended September 30, 2013 and 2012, respectively. Net other income was $11 and $20 for the six months ended September 30, 2013 and 2012, respectively. Other income decreased primarily as the result of a decrease in interest income on lower cash and investment balances and interest rates.

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Income Tax Expense: During the three months ended September 30, 2013 and 2012, we recorded income tax expense of $16 and $15, respectively. During the six months ended September 30, 2013 and 2012, we recorded income tax expense of $31 and $23, respectively. Income tax expense is attributed to our Netherlands subsidiary and to the payment of minimum state taxes in the U.S.

Non-GAAP Financial Measures: The following table reconciles our operating loss calculated in accordance with accounting principles generally accepted in the U.S. (GAAP) to non-GAAP financial measures that exclude non-cash charges for share-based compensation, and depreciation and amortization expenses from gross profit, operating expenses and operating loss. The non-GAAP financial measures used by management and disclosed by us are not a substitute for, nor superior to, financial measures and consolidated financial results calculated in accordance with GAAP, and you should carefully evaluate our reconciliations to non-GAAP. We may calculate our non-GAAP financial measures differently from similarly titled measures used by other companies. Therefore, our non-GAAP financial measures may not be comparable to those used by other companies. We have described the reconciliations of each of our non-GAAP financial measures described above to the most directly comparable GAAP financial measures.

We use these non-GAAP financial measures, and in particular non-GAAP operating loss, for internal managerial purposes because we believe such measures are important indicators of the strength and the operating performance of our business. Analysts and investors frequently ask us for this information. We believe that they use these measures to evaluate the overall operating performance of companies in our industry, including as a means of comparing period-to-period results and as a means of evaluating our results with those of other companies.

Our non-GAAP operating loss during the three months ended September 30, 2013 and 2012 was approximately $917 and $163, respectively. The increase in non-GAAP operating loss for the three months ended September 30, 2013 over the corresponding period a year ago is attributed to the increase in operating expenses, offset slightly by the increase in net sales and gross profit percent. Our non-GAAP operating loss during the six months ended September 30, 2013 and 2012 was approximately $2,417 and $724, respectively. The increase in non-GAAP operating loss for the six months ended September 30, 2013 over the corresponding period a year ago is attributed to the increase in operating expenses, offset slightly by the increase in net sales and gross profit percent.

		Expense Adjustments			
Three-Months Ended	GAAP	Share-based Expense	Depreciation	Amortization of Intangibles	Non-GAAP
September 30, 2013					
Gross profit	$5,235	$6	$ 9		$ 5,250
% of net sales	87.6 %				87.8 %
Operating expenses					
General and administrative	2,390	(834)	(53)		1,503
Research and development	429	(11)	(1)		417
Selling and marketing	4,323	(54)	(22)		4,247
Amortization	8			$ (8)	-
	7,150	(899)	(76)	(8)	6,167
Operating loss	$(1,915)	$905	$ 85	$ 8	$ (917)
September 30, 2012					
Gross profit	$4,935	$8	$ 9		$ 4,952
% of net sales	86.4 %				86.7 %
Operating expenses					

General and administrative	1,028	(108)	(50)		870
Research and development	599	(14)	(1)		584
Selling and marketing	3,734	(60)	(13)		3,661
Amortization	216			$ (216)	-
	5,577	(182)	(64)	(216)	5,115
Operating loss	$(642)	$190	$ 73	$ 216	$ (163)

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		Expense Adjustments			
Six-Months Ended	GAAP	Share-based Expense	Depreciation	Amortization of Intangibles	Non-GAAP
September 30, 2013					
Gross profit	$10,328	$14	$ 18		$ 10,360
% of net sales	87.4 %				87.7 %
Operating expenses					
General and administrative	3,971	(755)	(103)		3,113
Research and development	908	(25)	(2)		881
Selling and marketing	8,951	(127)	(41)		8,783
Amortization	15			$ (15)	-
	13,845	(907)	(146)	(15)	12,777
Operating loss	$(3,517)	$921	$ 164	$ 15	$ (2,417)
September 30, 2012					
Gross profit	$9,756	$15	$ 18		$ 9,789
% of net sales	86.4 %				86.7 %
Operating expenses					
General and administrative	2,120	(194)	(96)		1,830
Research and development	1,162	(26)	(2)		1,134
Selling and marketing	7,699	(120)	(30)		7,549
Amortization	431			$ (431)	-
	11,412	(340)	(128)	(431)	10,513
Operating loss	$(1,656)	$355	$ 146	$ 431	$ (724)

Liquidity and Capital Resources

Cash Flows.

At September 30, 2013, our cash and cash equivalents and short-term investments balances totaled $12,537.

At September 30, 2013, we had working capital of approximately $13,389.

For the six months ended September 30, 2013, we used $2,243 of cash in operating activities, compared to $892 of cash used during the six months ended September 30, 2012. We used this cash primarily to fund the operating loss, net of non-cash charges for depreciation, amortization of intangibles and share-based compensation, of $2,417 during the six months ended September 30, 2013, and $724 during the six months ended September 30, 2012. The six-month net loss for our current fiscal year includes nonrecurring cash expenses of $369 attributed to changes in executive management and $1,100 for legal and audit fees pertaining to the review of certain internal control issues.

During the six months ended September 30, 2013, and 2012, we generated $5,940, and $802, respectively, of net cash from the maturity of marketable securities.

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For the six months ended September 30, 2013, we used $209 to purchase property, plant and equipment compared with approximately $94 for the same period a year ago. The increase is related to the purchase of new computer equipment for our sales force.

Sources of Liquidity.

We believe the $12,537 of cash and short-term investments we maintained at September 30, 2013, is adequate to meet our needs for the next twelve months, and depending upon our profitability, substantially longer. Although we have historically not generated cash from operations because we have yet to achieve profitability, we anticipate that we will become profitable and generate excess cash from operations prior to the full use of the current available cash and investments. To achieve this however, we must generate substantially more revenue than we have this quarter or in prior years.

Our ability to achieve significant revenue growth will depend, in large part, on our ability to achieve widespread market acceptance for our products and successfully expand our business in the U.S. We cannot guarantee that we will be entirely successful at this. If we fail to meet our projections of profitability and cash flow, or determine to use cash for matters we have not currently projected, we may need to again seek financing to meet our cash needs. We cannot assure you that such financing, if needed, will be available to us on acceptable terms, or at all.

Commitments and Contingencies.

We discuss our commitments and contingencies in our Annual Report on Form 10-K for the year ended March 31, 2013. There have been no significant changes in our commitments for capital expenditure and contractual obligations since March 31, 2013.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We discuss quantitative and qualitative disclosures about market risk in our Annual Report on Form 10-K for the year ended March 31, 2013. There have been no significant changes since March 31, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

Under the supervision and with the participation of our management, including, our President and Chief Executive Officer and Chief Financial Officer ("CEO and CFO"), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on this evaluation, our CEO and CFO concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and that such information is accumulated and communicated to our management, including our CEO and CFO, in a manner that allows timely decisions regarding required disclosure.

Changes In Internal Control Over Financial Reporting.

As disclosed in our Annual Report on Form 10-K for the year ended March 31, 2013, we concluded that we did not have adequate internal controls over financial reporting as of March 31, 2013. Although there were no material errors in the amounts that we had previously reported in our financial statements, we believe that we had a material weakness in our internal controls such that a material error in our financial statements could have occurred.

During the quarter ended June 30, 2013, and in addition to management changes we experienced, we updated our internal attestations procedures and provided increased education for sales, accounting, customer service and shipping personnel relative to procedures for, and their responsibilities for internal controls.

Despite the remedial measures that have been implemented, the material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Except for the pending complaints referred to in Item 3 of our Annual Report on Form 10-K for the year ended March 31, 2013, we are not subject to any legal proceedings outside the ordinary course of business. The complaint relating to the suit filed in the United States District Court for the Southern District of New York was served on the Company on July 30, 2013 and was subsequently dismissed.

ITEM 1A. RISK FACTORS

Reference is made to Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None during the quarter ended September 30, 2013.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits

31.1 Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (this Exhibit is “furnished” pursuant to SEC rules, but is deemed not “filed”)

101 Financial statements from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, formatted in Extensible Business Reporting Language: (i) the Condensed Consolidated Balance Sheet, (ii) the Condensed Consolidated Statement of Operations, (iii) the Condensed Consolidated Statement of Comprehensive Loss, (iv) the Condensed Consolidated Statement of Shareholders’ Equity, (v) the Condensed Consolidated Statement of Cash Flows and (vi) the Notes to Condensed Consolidated Financial Statements.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UROPLASTY, INC.

Date: November 7, 2013 By: /s/ ROBERT KILL
Robert Kill
President and Chief Executive Officer

Date: November 7, 2013 By: /s/ BRETT REYNOLDS
Brett Reynolds
SVP and Chief Financial Officer

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