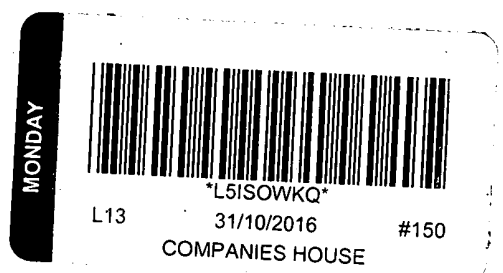


**Company Registration No. 9363050**

**SILVER ACQUISITION CO LIMITED**

**Report and Financial Statements**

**31 December 2015**



# **SILVER ACQUISITION CO LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2015**

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# **SILVER ACQUISITION CO LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2015**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S Green  
T A Mill

#### **REGISTERED OFFICE**

70 Norden Road  
Maidenhead  
Berkshire  
SL6 4AY

#### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Cambridge

# **SILVER ACQUISITION CO LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the period from incorporation on 19 December 2014 to 31 December 2015.

The directors have taken the small companies exemption contained in s414B of the Companies Act 2006 from the requirement to prepare a strategic report.

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

### **ACTIVITY**

The company's principal activity is that of a holding company.

### **RESULTS AND DIVIDENDS**

The loss for the period after taxation was \$15,576,520.

The directors do not recommend the payment of a dividend.

### **LOCAL CURRENCY**

The company's functional currency is US dollars on the basis that the majority of the company's key transactions and balances are denominated in this currency. These financial statements are presented in the company's functional currency.

### **DIRECTORS**

The directors who served during the period and to the date of this report, unless stated otherwise, were:

T A Mill (appointed 19 December 2014)

S Green (appointed 19 December 2014)

R Brudnick (appointed 7 January 2015, resigned 24 February 2015)

### **DIRECTORS' INTERESTS**

No directors who held office at 31 December 2015 had any interest in the company.

### **GOING CONCERN**

The directors have considered the principal risks and uncertainties facing the company and its subsidiary undertakings, since the principal activity of this entity is that of a holding company.

The directors have received a letter of support from its ultimate parent, Biogen Inc. to enable it to meet its liabilities as they fall due for a period of at least twelve months from the approval of these financial statements, and so accordingly the directors have concluded that it is reasonable for the financial statements to be prepared on a going concern basis.

## **SILVER ACQUISITION CO LIMITED**

### **DIRECTORS' REPORT (continued)**

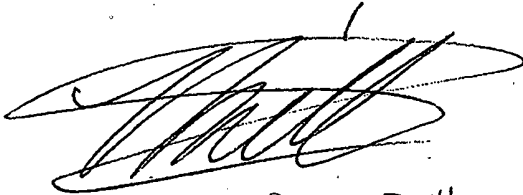
#### **AUDITOR**

The directors at the date of approval of this report confirm that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors  
and signed on behalf of the Board

A large, stylized handwritten signature in black ink, appearing to read 'T Mill', is written over a horizontal line.

T Mill

Director

21 October 2016

## **SILVER ACQUISITION CO LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including "FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland." Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SILVER ACQUISITION CO LIMITED**

We have audited the financial statements of Silver Acquisition Co Limited for the initial period from 19 December 2014 to 31 December 2015, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the period from 19 December 2014 to 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SILVER ACQUISITION CO LIMITED (continued)**

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.



31 October 2016  
**Adam Norman (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Cambridge, United Kingdom



# **SILVER ACQUISITION CO LIMITED**

## **PROFIT AND LOSS ACCOUNT**

**Period from 19 December 2014 to 31 December 2015**

	Note	Period from 19 December 2014 to 31 December 2015 \$
Administrative expenses		(10,652,909)
<b>OPERATING LOSS</b>	4	(10,652,909)
Finance costs	3	(4,923,611)
<b>LOSS BEFORE TAX</b>		(15,576,520)
Tax	6	-
<b>LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE EXPENSE</b>		<u>(15,576,520)</u>

All results are derived from continuing activities.

# SILVER ACQUISITION CO LIMITED

## BALANCE SHEET

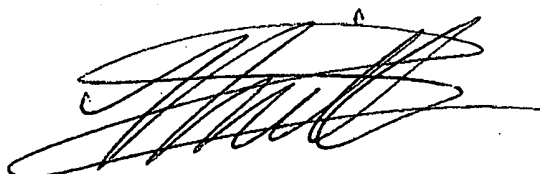
31 December 2015

	Note	31 December 2015 \$
<b>NON CURRENT ASSETS</b>		
Investment in subsidiary	7	439,146,000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		1,886,555
<b>TOTAL ASSETS</b>		441,032,555
<b>CURRENT LIABILITIES</b>		
Trade and other payables	8	(145,169,669)
<b>NET CURRENT LIABILITIES</b>		(143,283,114)
<b>NON CURRENT LIABILITIES</b>		
Borrowings	9	(210,923,610)
Provisions and accruals	9	(100,515,795)
<b>TOTAL NON CURRENT LIABILITIES</b>		(311,439,405)
<b>TOTAL LIABILITIES</b>		(456,609,074)
<b>NET LIABILITIES</b>		(15,576,519)
<b>EQUITY</b>		
Share capital	10	1
Retained deficit		(15,576,520)
<b>TOTAL EQUITY</b>		(15,576,519)

The financial statements of Silver Acquisition Co. Limited, registered number 9363050, were approved by the Board of Directors and authorised for issue on 31 October 2016.

Signed on behalf of the Board of Directors

T Mill  
Director



# **SILVER ACQUISITION CO LIMITED**

## **STATEMENT OF CHANGES IN EQUITY** **Period from 19 December 2014 to 31 December 2015**

	Note	Share capital \$	Retained defecit \$	Total \$
<b>Balance at 19 December 2014</b>		-	-	-
Issued on incorporation	10	1	-	1
Loss for the initial period		-	(15,576,520)	(15,576,520)
<b>Balance at 31 December 2015</b>		<u>1</u>	<u>(15,576,520)</u>	<u>(15,576,519)</u>

# **SILVER ACQUISITION CO LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Period from 19 December 2014 to 31 December 2015**

### **1. ACCOUNTING POLICIES**

#### **General information**

Silver Acquisition Co Limited is a limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is disclosed on page 1. The nature of the company's operations and its principal activity is set out in the Directors' Report on page 2

#### **Basis of preparation and statement of compliance**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention on the going concern basis.

The principal accounting policies have been applied consistently throughout the year and are set out below. The company has taken advantage of certain exemptions under FRS 102 which are detailed below. The functional currency is US dollars.

#### **Critical accounting judgements and key sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual amounts and results could differ from those estimates.

Contingent consideration has been valued and recognised using a discounted cash flow model as of the acquisition date. The contingent consideration has only been recognised to the extent the milestones are deemed probable. The terms of the Convergence Purchase Agreement include provision for paying the former shareholders of Convergence up to \$450 million based upon the achievement of certain milestones.

Determining whether investments are impaired requires an estimation of the value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investment and a suitable discount rate in order to calculate present value.

Having carried out these calculations management is of the opinion that there are no impairments of investments.

#### **Going concern**

The directors have considered the principal risks and uncertainties facing the company and its subsidiary undertakings, since the principal activity of this entity is that of a holding company. These include the current economic environment, results from its subsidiary undertaking and the anticipated interest rate of future inter-company financing.

The company has received a letter of support from its ultimate parent, Biogen Inc. to enable it to meet its liabilities as they fall due for a period of at least twelve months from the approval of these financial statements, and so accordingly the directors have concluded that it is reasonable for the financial statements to be prepared on a going concern basis

#### **Exemptions**

The directors have taken the exemption available under section 401 of the Companies Act 2006 not to prepare consolidated financial statements on the grounds that it is a wholly owned subsidiary and its ultimate parent has published consolidated financial statements which include the results of the company. The consolidated financial statements of Biogen Inc. are publicly available and can be obtained from the address given in note 11.

Under FRS 102 (section 1.12), the company is exempt from the requirement to present a cash flow statement on the grounds that its ultimate parent has published a consolidated cash flow statement which includes the cash flows of the company. The consolidated financial statements of Biogen Inc. are publicly available and can be obtained from the address given in note 11.

The company is a qualifying entity and has taken advantage of the financial instruments disclosure exemption and the key management personnel compensation disclosure exemption (other than director's emoluments) under FRS 102 (section 1.12).

## SILVER ACQUISITION CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Period from 19 December 2014 to 31 December 2015

#### 1. ACCOUNTING POLICIES (continued)

##### Exemptions (continued)

Under FRS 102 (section 1.12), the company is exempt from the requirement to disclose related party transactions with entities which are wholly owned within the Biogen Inc. group. The consolidated financial statements of Biogen Inc. are publicly available and can be obtained from the address given in note 11.

##### Investments

Non-current investments are shown at cost, including future anticipated costs determined by the future performance of the business purchased, less provision for impairment.

##### Financial assets

###### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

###### *Cash and cash equivalents*

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

##### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### Taxation

Current tax assets and liabilities are measured as the amounts expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, deferred tax is recognised in the Profit and Loss Account.

# SILVER ACQUISITION CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period from 19 December 2014 to 31 December 2015

### 2. SEGMENTAL INFORMATION

For management purposes the company is currently organised into one business segment, which is that of a holding company. Since this is the only primary reporting segment, no further information has been shown.

### 3. FINANCE COSTS

	Period from 19 December 2014 to 31 December 2015 \$
Interest paid and accrued on loans with parent company (note 12)	<u>4,923,611</u>

### 4. OPERATING LOSS

	Period from 19 December 2014 to 31 December 2015 \$
Operating loss is stated after crediting: Included within 'other administrative expenses': Foreign exchange gain on operating cash balances	<u>(18,404)</u>

During the period ended 31 December 2015 auditor's fees for the audit of the company's annual accounts were £7,500 and have been borne by a fellow subsidiary undertaking without recourse.

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the current period.

No emoluments were payable to the directors of the company during the current period.

### 6. TAXATION

	Period from 19 December 2014 to 31 December 2015 \$
Current tax	<u>-</u>
Deferred tax	<u>-</u>

## SILVER ACQUISITION CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Period from 19 December 2014 to 31 December 2015

#### 6. TAXATION (continued)

	\$
Loss on ordinary activities before tax	(15,576,520)
Tax on loss on ordinary activities at rate of 20.27%	(3,157,361)
Effects of:	
Permanent differences - expenses not deductible for tax purposes	1,472,602
Effect of group relief / other relief	888,086
Amounts not recognised	796,673
Total tax charge for the period	-

#### Factors that may affect future tax charges

The standard rate of corporation tax reduced from 21% to 20% from 1 April 2015. The government announced a reduction in the corporation tax rate from 20% to 19% from 1 April 2017, with a further reduction from 19% to 18% for the year beginning 1 April 2020. These rates were enacted at the balance sheet date and accordingly the company's deferred tax assets and liabilities have been measured at these tax rates and reflected in these financial statements.

The March 2016 Budget further introduced measures to reduce the corporation tax rate to 17% from 1 April 2020, which was substantially enacted on 8th September 2016. As the rate was not substantively enacted at the balance sheet date, this rate reduction has not been reflected in the company's deferred tax assets and liabilities at the balance sheet date.

Tax losses of \$999,548 are available within the company to carry forward against future taxable profits. There is a net deferred tax asset of \$179,919, calculated at the standard rate of tax of 18%. This deferred tax asset has not been recognised since it is uncertain that there will be suitable future taxable profits against which it can be offset. The losses and deferred tax asset have no formal expiry date.

#### 7. INVESTMENT IN SUBSIDIARY

	\$
Cost	
At 19 December 2014	-
Acquisitions	439,146,000
At 31 December 2015	439,146,000

Details of the company's subsidiaries at 31 December 2015 are as follows:

Name	Place of incorporation	Principal activity	Proportion of ownership interest	Proportion of voting power held
Convergence Pharmaceuticals Holdings Limited	England and Wales	Holding company	100%	100%
Old Convergence Pharmaceuticals Limited	England and Wales	Inter-company financing	Indirect 100%	Indirect 100%
Panion Ltd	England and Wales	Research and development	Indirect 49%	Indirect 49%

On 11 February 2015, the company purchased 100% of the share capital of Convergence Pharmaceutical Holdings Limited, a holding company that held investments in companies that focused on the development of novel and high value analgesic medicines. The purchase agreement was made up of two parts, the first part was an initial cash payment and the second part is based on future performance targets. The investment value was calculated using the best estimates of the performance targets assumed at the time of purchase.

## SILVER ACQUISITION CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Period from 19 December 2014 to 31 December 2015

#### 8. TRADE AND OTHER PAYABLES

	31 December 2015 \$
Amounts due within one year:	
Deferred consideration	145,169,669

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

The deferred consideration of \$145,169,669 relates to consideration for the purchase of Convergence Pharmaceuticals Holdings Limited. It has been deferred due to future uncertainty over the successful development of compounds.

#### 9. NON CURRENT LIABILITIES

	31 December 2015 \$
Amounts due after more than one year:	
Loans due to parent undertaking (note 14)	(210,923,610)
Deferred consideration	(93,640,795)
Accrual for employee retention bonus	(6,875,000)
	<u>(311,439,405)</u>

The directors consider that the carrying amount of non current liabilities approximates to their fair value.

The deferred consideration of \$100,515,795 relates to consideration for the purchase of Convergence Pharmaceuticals Holdings Limited. It has been deferred due to future uncertainty over the successful development of compounds.

Interest is charged on loans due to parent company at 2.5%.



## SILVER ACQUISITION CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Period from 19 December 2014 to 31 December 2015

#### 10. SHARE CAPITAL

	Shares in issued currency at 31 December 2015 £	Shares in converted currency at 31 December 2015 \$
<b>Authorised:</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>
<b>Allotted, called up and fully paid:</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

#### 11. ULTIMATE CONTROLLING PARTY

The company's immediate parent company is Biogen International GmbH, a company incorporated in Switzerland. The company's ultimate and controlling parent company is Biogen Inc., a company incorporated in the United States of America. Biogen Inc. is the only company that prepares consolidated group financial statements that include the results of this company. Copies of the group financial statements may be publicly obtained from Biogen Inc., 14 Cambridge Centre, Cambridge, Massachusetts 02142, USA.

#### 12. RELATED PARTY TRANSACTIONS

During the period there was administrative expenses of \$29,883,000 relating to contingent consideration payable to third parties associated with the purchase of Convergence Pharmaceuticals Limited. The payments are based on certain criteria being met by the performance of another fellow subsidiary undertaking.

At the end of the period the Company has amounts payable of \$210,923,610 due to Biogen International GmbH, the Company's direct parent. The capital element of the loan is \$206,000,000. Interest accrued on this loan at 2.5% and amounted to \$4,923,610 in the period.