

Company Registration No. 9363050

SILVER ACQUISITION CO LIMITED

Report and Financial Statements

31 December 2018



SILVER ACQUISITION CO LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2018

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditor's report	5
Income statement	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

SILVER ACQUISITION CO LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2018

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Green
T A Mill

REGISTERED OFFICE

70 Norden Road
Maidenhead
Berkshire
SL6 4AY

AUDITOR

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

SILVER ACQUISITION CO LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

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 year after taxation was \$3,327,489 (year ended 31 December 2017 : \$7,656,078).

The directors do not recommend the payment of a dividend (year ended 31 December 2017 : nil).

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
S Green

DIRECTORS' INTERESTS

No directors who held office at 31 December 2018 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' 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

Opinion

We have audited the financial statements of Silver Acquisition Co Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in note 1 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

*Jane Turnor (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
Date: 27/09/2019*

SILVER ACQUISITION CO LIMITED

INCOME STATEMENT Year ended 31 December 2018

		Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
	Note		
Other income	3	5,019,000	-
Administrative expenses		(1,136)	(696,398)
OPERATING PROFIT/(LOSS)	5	5,017,864	(696,398)
Finance costs	4	(8,345,353)	(6,959,680)
LOSS BEFORE TAX		(3,327,489)	(7,656,078)
Tax	7	-	-
LOSS FOR THE PERIOD		<u>(3,327,489)</u>	<u>(7,656,078)</u>

All results are derived from continuing activities.

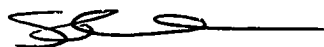
SILVER ACQUISITION CO LIMITED

BALANCE SHEET 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
NON CURRENT ASSETS			
Investment in subsidiary	8	353,573,582	353,573,582
CURRENT ASSETS			
Cash and cash equivalents		588,937	542,062
TOTAL ASSETS		<u>354,162,519</u>	<u>354,115,644</u>
CURRENT LIABILITIES			
Trade and other payables	9	(144,873,975)	(148,354,325)
NET CURRENT LIABILITIES		<u>(144,285,038)</u>	<u>(147,812,263)</u>
NON CURRENT LIABILITIES			
Borrowings	10	(294,676,340)	(285,966,626)
Provisions and accruals	10	(44,797,000)	(46,652,000)
TOTAL NON CURRENT LIABILITIES		<u>(339,473,340)</u>	<u>(332,618,626)</u>
TOTAL LIABILITIES		<u>(484,347,315)</u>	<u>(480,972,951)</u>
NET LIABILITIES		<u>(130,184,796)</u>	<u>(126,857,307)</u>
EQUITY			
Share capital	11	1	1
Retained deficit		(130,184,797)	(126,857,308)
TOTAL EQUITY		<u>(130,184,796)</u>	<u>(126,857,307)</u>

The financial statements of Silver Acquisition Co. Limited, registered number 9363050, were approved by the Board of Directors and authorised for issue on ~~27/9~~ Sept 2019.

Signed on behalf of the Board of Directors



S J Green
Director

SILVER ACQUISITION CO LIMITED

STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2018

	Share capital \$	Retained deficit \$	Total \$
Balance at 31 December 2016	1	(119,201,230)	(119,201,229)
Loss for the year	-	(7,656,078)	(7,656,078)
Balance at 31 December 2017	1	(126,857,308)	(126,857,307)
Loss for the year	-	(3,327,489)	(3,327,489)
Balance at 31 December 2018	1	(130,184,797)	(130,184,796)

SILVER ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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 it was determined an impairment of £nil (year ended 31 December 2017 : \$85,572,418) should be recognised to reflect the recoverable amount, as the company's subsidiaries have no ongoing income so the value of the investment has been revalued to reflect the net assets of these 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 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

Year ended 31 December 2018

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 Income Statement.

SILVER ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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. OTHER INCOME

	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Revaluation of contingent consideration	<u>5,019,000</u>	<u>-</u>

4. FINANCE COSTS

	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Interest paid and accrued on loans with group company (note 12)	<u>8,345,353</u>	<u>6,959,680</u>

5. OPERATING LOSS

During the year ended 31 December 2018 auditor's fees for the audit of the company's annual accounts were £8,500 (period ended 31 December 2017 : £8,500) and have been borne by a fellow subsidiary undertaking without recourse.

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the current period.

The directors of the company are also directors or officers of other companies within the group, and did not receive any remuneration in relation to their services for the Company. The directors' time is deemed inconsequential to the company and as such their remuneration has not been disclosed.

7. TAXATION

	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Current tax	<u>-</u>	<u>-</u>
Tax per income statement	<u>-</u>	<u>-</u>

SILVER ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 TAXATION (continued)

Factors affecting total tax charge for the current period

The charge for the year can be reconciled to the profit per the income statement as follows:

	\$	\$
Loss on ordinary activities before tax	(3,327,489)	(7,656,078)
Tax on loss on ordinary activities at rate of 19% (year ended 31 December 2017: 19.25%)	(632,223)	(1,473,795)
Effects of:		
Expenses not deductible	-	133,788
Amounts not recognised	1,585,833	1,340,007
Income not taxable	(953,610)	-
Total tax charge for the period	-	-

Factors affecting total tax charge for the current period (continued)

The standard rate of corporation tax in the UK is 19% with effect from 1 April 2017. Accordingly the effective tax rate for the year is 19%. The standard rate of corporation tax will decrease to 17% with effect from 1 April 2020. Any deferred tax balances may be stated at a rate of 17%, 19% or a hybrid rate depending on the timing of the reversal, where appropriate. In the attached workings all deferred tax balances have been calculated at 17%.

Tax losses of \$8,346,489 (year ended 31 December 2017 : \$6,961,078) are available within the company to carry forward against future taxable profits. There is a net deferred tax asset of \$1,418,903 (year ended 31 December 2017 : \$1,183,383), calculated at the standard rate of tax of 17% (period ended 31 December 2017 : 17%). 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.

8. INVESTMENT IN SUBSIDIARY

	\$
Cost	
At 1 January 2017 and 31 December 2018	353,573,582

Details of the company's subsidiaries at 31 December 2018 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

Year ended 31 December 2018

9. TRADE AND OTHER PAYABLES

	31 December 2018 \$	31 December 2017 \$
Amounts due within one year:		
Accrual for milestone loan notes	117,975	434,325
Deferred consideration	144,756,000	147,920,000
	<u>144,873,975</u>	<u>148,354,325</u>

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

The deferred consideration of \$144,756,000 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.

10. NON CURRENT LIABILITIES

	31 December 2018 \$	31 December 2017 \$
Amounts due after more than one year:		
Loans due to parent undertaking (note 12)	213,625,333	206,872,639
Loans due to subsidiary undertaking (note 12)	81,051,007	79,093,987
Deferred consideration	44,797,000	46,652,000
	<u>339,473,340</u>	<u>332,618,626</u>

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

The deferred consideration of \$44,797,000 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 at 2.5% per annum. The maturity date for all loans is 31 December 2020.

11. SHARE CAPITAL

	Shares in issued currency at 31 December 2018 £	Shares in converted currency at 31 December 2018 \$	Shares in issued currency at 31 December 2017 £	Shares in converted currency at 31 December 2017 \$
Authorised:				
1 Ordinary share of £1	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Allotted, called up and fully paid:				
1 Ordinary share of £1	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

SILVER ACQUISITION CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

12. 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.

13. RELATED PARTY TRANSACTIONS

During the year there was other income of \$5,019,000 (year ended 31 December 2017: expense of \$70,000) 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.