Company registration number· 07802577 (England and Wales)

Pro Bono Bio Group PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

For The Period 7 October 2011 to 31 December 2012

Pro Bono Bio Group PLC

CONTENTS

Pro Bono Bio Group PLC

COMPANY INFORMATION

Directors	J C Mayo Michael J Earl Richard W Garraway William J Henry George L Iliffe
Company secretary	Throgmortons 4th Floor, Reading Bridge House George Street Reading Berkshire England RG1 8LS
Registered number	07802577
Registered office	4th Floor, Reading Bridge House George Street Reading Berkshire England RG1 8LS
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Abacus House Castle Park Gloucester Street Cambridge CB3 0AN

Pro Bono Bio Group PLC

DIRECTORS' REPORT
For The Period 7 October 2011 to 31 December 2012

The directors present their report and the audited financial statements of the group for the period 7 October 2011 to 31 December 2012

Principal activities
The company was incorporated on 7 October 2011 The principal activity of the company was that of providing professional services in connection with the development and commercialisation of pharmaceutical products

A private equity development fund, Celtic Pharma Holdings II LP ("CP2"), is run by a team that includes the management of Pro Bono Bio Group PLC ("PBB Group") and Pro Bono Bio Entrepreneur Limited ("PBBEL") which owns Pro Bono Bio International Trading Limited ("PBBIT") CP2 had, through its indirect subsidiary Sequessome Technology Holdings Limited ("STH"), developed a new and innovative technology that is based on nano-physics ("Sequessome Technology") The mandate of CP2 prevented it from developing the commercial products that could be created from the technology and one defaulting recalcitrant investor in CP2 (the Libyan Investment Authority) prevented a change of mandate So CP2 marketed the opportunity to acquire or license the technology and potential products to major pharmaceutical companies (including companies such as Pfizer, GSK and AstraZeneca) and to smaller niche healthcare companies No interest was shown in the opportunity due to the technology being physics based and first of its kind with no active pharmaceutical ingredient

The management realized that the value would be lost as the patent lives reduced if no commercial progress was made Accordingly they formed a company to license the technology on the understanding that control of the PBB group would be offered to either Celtic Pharma Holdings III L P ("CP3") or the investors in CP2 (if CP3 failed to raise funds) when the funding was available This way the commercial value of the opportunity did not wither and the investors knew that they could invest further into CP3 To protect investors in CP2 who did not want to invest more pro rata it was important that the license to PBBIT was on arms length terms and so an extensive analysis as to the fairness of the royalty to be charged and concluded that, although it was a high royalty, it was fair The independent Advisory Board to CP2 and the Board of STH approved the license as fair Consequently, on 31 January 2012 Sequessome Technology Holdings Limited ("STH") licensed its products to Pro Bono Bio International Trading Limited ("PBBIT") with a view to PBBIT developing and commercializing them in return for a 22 5% royalty from PBBIT

Due to the international banking crisis, in early 2012 a working capital facility was not available from commercial banks to develop the products in PBBIT and therefore Leverton Licence Holdings Limited ("LLH"), the 100% parent of STH entered into a revolving credit agreement with PBBIT for a maximum of $20 million and for a maximum period of 24 months with interest of 8% p a with monthly rests The arrangement was mutually beneficial to PBBIT and LLH as PBBIT, PBBEL and PBB Group have the required management and commercial skills to develop the products but required the working capital in order to bring the products to market, maximizing the revenue in PBBIT and thus the royalty streams to STH STH had the additional security of only providing funding after the first product was approved, knowing the gross margin on the product and that 2 million tubes would provide the profit to repay the facility, even if no further equity was raised (by CP3 or from existing investors in CP2) 10 per cent of the world's population suffers from Osteoarthritis and therefore 2 million tubes was a low threshold Lastly, LLH knew that PBBIT had two further products that could be approved for other indications, with similar profit margins

Consequently there is a connection between the borrower and the lender due to the shared management, this connection is likely to continue and grow as the investors in CP2 (which controls the lender, LLH) will also be investors in CP3 (or through CP2) which will come to control the borrowers, PBBIT, PBBEL and PBB Group in due course

Going Concern
The company ıs relıant on fundıng through the revolvıng credıt agreement as descrıbed ın note 8 The accompanyıng financıal statements have been prepared assumıng the company wıll contınue as a goıng concern, whıch contemplates the realızatıon of assets and satısfactıon of lıabılıtıes ın the normal course of busıness The dırectors have receıved confirmatıon from the lender that the loan wıll not requıre mandatory cash repayment for 12 months from the date of approval of the fınancıal statements

Fınancıal Performance
The group made ıts first sales ın the penod ın Germany and Malaysıa, as ıt was the fırst year much of the costs were that of set up and market entry

Results and dıvıdends
The group results for the penod are set out ın the profit and loss on page 7 No dıvıdends have been paıd durıng the penod

Directors
The followıng dırectors have held office durıng the penod and up to the date of sıgnıng the financıal statements, unless otherwıse stated

J C Mayo
Mıchael J Earl
Rıchard W Garraway
Wıllıam J Henry
George L Ilıffe
Stephen B Parker (Resıgned 19 October 2012)

Directors Indemnıties
As permıtted by the Artıcles of Assocıatıon, the Dırectors have the benefıt of an ındemnıty which ıs a qualıfyıng thırd party ındemnıty provısıon as defıned by Sectıon 234 of the Companıes Act 2006 The ındemnıty was ın force throughout the last financıal penod and ıs currently ın force The Company/ Group/or otherwıse also purchased and maıntaıned throughout the fınancıal year Dırectors' and Officers' lıabılıty ınsurance ın respect of ıtself and ıts Dırectors

Statement of directors' responsibilities
The dırectors are responsıble for preparıng the annual report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have prepared the group and parent company financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the fınancıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the group and parent and of the profit or loss of the company and group for that penod In preparıng these statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- makıng ȷudgements and accountıng estımates that are reasonable and prudent, and
- state whether applıcable UK Accountıng Standards have been followed, subȷect to any matenal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropnate to presume that the company wıll contınue ın busıness

Statement of directors' responsibilities - continued

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 the group 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 the group hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure to auditors

In accordance with section 418, director's reports shall include a statement, in the case of each director in office at the date the directors' report is approved that,

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

On behalf of the board

J C Mayo
Director
28 June 2013

Pro Bono Bio Group PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRO BONO BIO GROUP PLC

We have audited the group and company financial statements (the "financial statements") of Pro Bono Bio Group PLC for the period 7 October 2011 to 31 December 2012 which comprise the Group Profit and Loss Account, the Group Balance Sheet, Company Balance Sheet, the Group Cash Flow Statement and the related notes 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)

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

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 group and 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 and financial statements to identify material inconsistencies with the audited financial statements 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 group's and the company's affairs as at 31 December 2012 and of the groups loss and cash flows for the period 7 October 2011 to 31 December 2012,

- 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 year for which the financial statements are prepared is consistent with the financial statements

Pro Bono Bio Group PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRO BONO BIO GROUP PLC - (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

Stuart Newman (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

Date 28 June 2013

Pro Bono Bio Group PLC

GROUP PROFIT AND LOSS ACCOUNT
For The Period 7 October 2011 to 31 December 2012

	Notes	2012 £
Turnover		255,482
Cost of sales		(2,975,472)
Gross profit		(2,719,990)
Research and Development		(1,044,491)
Sales and administrative expenses		(1,931,775)
Operating loss	2	(5,696,256)
Interest Expense		(304,734)
Loss before tax		(6,000,990)
Tax on loss on ordinary activities	5	-
Loss for the financial year	11	(6,000,990)

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

There are no recognised gains and losses other than those passing through the profit and loss account, and therefore no separate statement of total recognised gains and losses has been prepared

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

Pro Bono Bio Group PLC

GROUP BALANCE SHEET

As at 31 December 2012

	Note	2012 £
Fixed assets		
Tangible assets	6	1,763
Current assets		
Debtors	7	832,304
Stock		2,823,083
Cash at bank and in hand		84,158
		3,739,545
Creditors. amounts falling due within one year	8	(1,009,146)
Borrowings		(8,683,152)
Net current liabilities		(5,952,753)
Total assets less current liabilities		(5,950,990)
Net liabilities		(5,950,990)
Capital and reserves		
Called up share capital	9	50,000
Profit and loss account deficit	10	(6,000,990)
Total shareholders' deficit		(5,950,990)

The financial statements on pages 7 to 16 were approved by the Board of Directors for issue on 28 June 2013 and signed on its behalf by

J C Mayo
Director

Company registration number 07802577 (England and Wales)

Pro Bono Bio Group PLC

COMPANY BALANCE SHEET

As at 31 December 2012

	Note	2012 £
Fixed assets		
Investments	4	10,500
Current assets		
Debtors	7	50,000
Cash at bank and in hand		2,000
		52,000
Creditors: amounts falling due within one year	8	(19,010)
Net current assets		32,990
Total assets less current liabilities		43,490
Net assets		43,490
Capital and reserves		
Called up share capital	9	50,000
Profit and loss account		(6,510)
Total shareholders' funds		43,490

The financial statements on pages 7 to 16 were approved by the Board of Directors for issue on 28 June 2013 and signed on its behalf by

J C Mayo
Director

Company registration number 07802577 (England and Wales)

Pro Bono Bio Group PLC

GROUP CASH FLOW STATEMENT

For The Period 7 October 2011 to 31 December 2012

	Notes	2012 £
Cash flows from operating activities		
Cash used in operations	12	(8,646,963)
Net cash generated in operations		(8,646,963)
Cash flows from investing activities		
Fixed asset additions		(2,031)
Net cash used in investing activities		(8,648,994)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	9	50,000
Increase in borrowing	8	8,683,152
Net cash from financing activities		8,733,152
Net increase in cash and cash equivalents in the period		**84,158**
Cash and cash equivalents at end the period		84,158

Pro Bono Bio Group PLC

NOTES TO THE FINANCIAL STATEMENTS

For The Period 7 October 2011 to 31 December 2012

1. Accounting policies

1 1 Accounting convention

The financial statements for the group and company are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, 'The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008' , all of which have been applied consistently throughout the year As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account for the period has not been presented in these financial statements The parent company's loss for the period is £6,510

1 2 Turnover

Turnover is measured at the fair value of the consideration received or receivable for the sale of goods and services provided in the normal course of business, net of value-added tax and discounts, where applicable Turnover is recognised to the extent that it is probable that economic benefits will flow to the company and these can be measured reliably

1 3 Stock

Stock is held at the lower of cost and net realisable value The logistics and storage agent's records show that stock with direct cost and net realisable value of €3,483,778 and €26,086,294 respectively were held as at the year end All stock held at the year end is finished goods

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation Cost includes the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use As detailed below, depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life The expected useful economic lives of each class of asset are reviewed regularly

Leasehold improvements	period of lease
Office equipment	3 years
Fixtures and Fittings	5 years

1 5 Current and deferred taxation

The tax expense for the current period comprises the tax payable on taxable income for the year, using rates applicable at the balance sheet date and adjustments in respect of earlier years

1 6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are taken to the profit and loss account in the period in which they occur

1 7 Going Concern

The company is reliant on funding through the loan from Leverton Licence Holdings Limited as described in principal activities in the Directors Report The accompanying financial statements have been prepared assuming the company will continue as a going concern and therefore provide the funding necessary, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business The directors have received confirmation from the directors of Leverton Licence Holdings Limited that the loan will not be recalled for 12 months from the date of approval of the financial statements

Pro Bono Bio Group PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Period 7 October 2011 to 31 December 2012

1. Accounting policies - continued

1.8 Cash flow statement

The Company has taken the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996) 'Cash flow statements'

2. Operating Loss

	2012
	£
Operating loss is stated after charging / (crediting)	
Staff costs (note 3)	260,100
Depreciation of tangible assets	268
Service provided by the company's auditor	
Fee payable for the audit	18,026
Losses on foreign exchange transactions	(304)

3 Employees and Directors

	2012
Staff costs	£
Wages and salaries	232,216
Social security costs	27,884
Other pension costs	-
	260,100

	2012
	Number
Average number of employees	
Development and research	7
IT and administration	3
Finance	3
	13

	2012
Directors emoluments	£
Aggregate emoluments	135,467
Company pension contributions	-
	135,467

No directors have received pension contributions, shares or share options by virtue of their directorship of Pro Bono Bio Entrepreneur Limited in the period under review

4 Investment in subsidiaries

	2012 £
Cost and net book amount as at 7 October 2011	-
Additions	10,500
At 31 December 2012	10,500

Name of subsidiary	Registered office	Class of shares held	Percentage of shares held %
Pro Bono Bio Entrepreneur Limited	4th Floor Reading Bridge House George St Reading RG1 8LS	Ordinary	100
Pro Bono Bio International Trading Ltd	103 Strait Street, Valletta, Malta VLT 1455	Ordinary	99 92

Pro Bono Bio Entrepreneur Limited is directly owned by Pro Bono Bio Group Limited Pro Bono Bio International Trading Limited is directly owned by Pro Bono Bio Entrepreneur Limited

5 Tax on loss on ordinary activities

	2012 £
Current tax:	
United Kingdom corporation tax on profit for the year	-
Total current tax charge	-

The tax assessment for the period is lower than the standard rate of corporation tax in the UK (24 8%) The differences are explained below

	2012 £
Loss on ordinary activities before tax	(6,000,990)
Loss on ordinary activities multiplied by standard rate in the UK calculates to 24 8%	(1,488,246)
Losses carried forward	1,488,246
Current tax charge	-

Factors affecting current and future tax charges

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012 Accordingly, the company's profits for this accounting period are taxed at an effective rate of 24 8%

On 3 July 2012 a change in the UK main corporation tax rate to 23% was substantively enacted to be in effect from 1 April 2013 A further 2% reduction in the UK main corporation tax rate to 21% was announced in the Autumn Statement This will be effective from 1 April 2014

6. Tangible assets

	Office equipment £	Leasehold improvement £	Fixtures and fittings £	Total £
Cost				
At 7 October 2011	-	-	-	-
Additions	563	1,231	237	2,031
At 31 December 2012	563	1,231	237	2,031
Accumulated depreciation				
At 7 October 2011	-	-	-	-
Charge for the year	113	130	25	268
At 31 December 2012	113	130	25	268
Net book amount				
At 31 December 2012	450	1,101	212	1,763

7. Debtors

	2012 £ Company	2012 £ Group
Amounts owed by group undertakings	-	205,970
Other debtors	50,000	597,828
Prepayments	-	28,506
	50,000	832,304

Amounts owed by group undertakings are unsecured interest free and with no fixed repayment date

8. Creditors: amounts falling due within one year

	2012 £ Company	2012 £ Group
Trade creditors	-	600,785
Borrowings	-	8,683,152
Loan interest Payable	-	304,734
Taxation and social security	-	72,591
Other creditors	12,500	12,500
Accruals	6,510	18,536
	19,010	9,692,298

Borrowings is a revolving credit agreement with Leverton Licence Holdings Limited for a maximum of $20 million and for a maximum period of 24 months with interest of 8% p a with monthly rests The loan is secured on a non voting equity stake in the Company's ultimate parent between 0% and 60% depending on the amount repaid

Pro Bono Bio Group PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Period 7 October 2011 to 31 December 2012

9 Called up share capital

	2012
	£
Authorised	
5,000,000 Ordinary share of £0 01 each	50,000
Allotted, called up and fully paid	
5,000,000 Ordinary share of £0 01 each	50,000

10. Reserves

	2012
	£
At 7 October 2011	-
Loss for the financial year	(6,000,990)
	(6,000,990)

11 Reconciliation of movements in shareholders' deficit

	2012
	£
Loss for the financial year	(6,000,990)
Opening equity shareholders' deficit	-
Shares issued	50,000
	(5,950,990)

12. Cash used in operations

Reconciliation of the loss for the period to cash used in operations

	2012
	£
Loss for the period	(6,000,990)
Add back	
Depreciation	268
Changes in working capital	
(Increase) in stock	(2,823,083)
(Increase) in trade and other receivables	(832,304)
Increase in trade and other payables	1,009,146
Cash used in operations	(8,646,963)

	As at 7 October 2011	Cash flow	As at 31 December 2012
	£	£	£
Liquid resources			
Cash	-	84,158	84,158
Debt·			
Borrowings	-	(8,683,152)	(8,683,152)
	-	(8,598,994)	(8,598,994)

13. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking is Celtic Pharma Holdings GP Limited, a company incorporated in Guernsey

Pro Bono Bio Group PLC is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2012

14. Related party transactions

At 31 December 2012 the company's immediate parent company is Celtic Pharma Holdings GP Limited and the company's subsidiary company is Pro Bono Bio Entrepreneur Limited whose subsidiary is Pro Bono Bio International Trading Limited

At the balance sheet date, the company had the following balances with related parties

Celtic Pharma Holdings GP Limited, the company's parent company registered in Guernsey

- Accounts payable	12,500

Celtic Pharma Holdings Advisors LLP, a Limited Liability Parnership registered in UK and Ireland

- Accounts receivable	17,568

At the balance sheet date group companies had the following other balances with related parties

Leverton Licence Holdings Limited

- Borrowings	8,683,152
- Accounts receivable	100,043