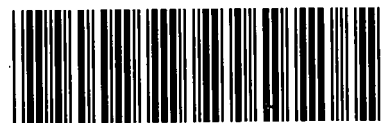


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PRO BONO BIO PLC
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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PRO BONO BIO PLC

CORPORATE INFORMATION

Directors

Michael Earl
William Henry
George Iliffe
John Mayo
Richard Wolf-Garraway

Company secretary

Throgmorton Secretaries LLP

Registered Office and Number

4th Floor, Reading Bridge House
George Street
Reading
Berkshire RG1 8LS

Company Registration Number: 08705972

Independent Auditor

PricewaterhouseCoopers LLP
One Reading Central
23 Forbury Road
Reading RG1 3JH

PRO BONO BIO PLC

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PRO BONO BIO PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Pro Bono Bio PLC ("PBB" or the "Company") was incorporated on 25 September 2013 to act as a holding company and during 2014 acquired a number of businesses which give rise to the group in its current form. As a result the group's income statement mainly reflects activities arising after 11 July 2014, being the date of the first acquisition.

Highlights

Pro Bono Bio PLC group ("PBB Group") is a healthcare business developing and selling a range of nano-technology medical devices and cosmetics which:

- deliver market leading efficacy and benefits; and
- remove the need for drugs; or
- reduce the drug burden

thereby providing better, drug free products with an improved safety profile.

PBB Group is also developing drug delivery platforms to:

- deliver and target the drugs so as to protect the body from any associated unwanted drug effects; or
- shield essential proteins from the body's immune system.

Many of PBB's products do not need approval by pharmaceutical regulators leading to shorter periods to generate sales and cash flows.

PBB acquired its technology platforms, which were developed at a cost exceeding \$250 million over the past ten years, from the Celtic Pharma funds and other third parties in 2014.

PBB has already demonstrated substantial revenue momentum. The revenue included in the consolidated income statement since 11 July 2014 contributed by the acquired subsidiaries was £5.3 million. Had the acquired subsidiaries been consolidated from 1 January 2014, the consolidated statement of income would show pro-forma revenue of £10.4 million.

PBB Group recorded an EBITDA profit before research and development costs of £686,000 for the year ended 31 December 2014.

PBB has a substantial opportunity to further commercialise its technology platforms and to launch a range of new nano-technology products in the pain, cosmetics, protein and drug delivery and electrical devices markets throughout the world.

Formation and reorganisation of PBB Group

Since its formation and before year end, the PBB Group has acquired the following businesses.

Nano medical devices and cosmetics: During 2014, PBB Holdings LLC, a wholly owned indirectly held subsidiary of PBB, acquired Pro Bono Bio Group PLC, a company which owns a group of companies which have the global rights to develop and commercialise nano medical devices and cosmetics products. This business is the most developed activity, with its leading product, Flexiseq, already launched in the market for the treatment of joint pain and inflammation. The business also includes two dermatological products, which have been test marketed in Ireland and will be launched as part of a wider range in Q3 2015.

PRO BONO BIO PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Haematology: This is substantially a development project with PBB now hoping to launch into Western markets its first haematology product in 2016. Previously the first haematology product was not expected to be launched until 2018/2019. This activity has been accelerated by the acquisition of Recoly described below.

Electrical devices (referred to as *Diagnostics* below): This activity is also a development project and has yet to start trading. Current activity is focussed on enabling electrical devices to be used in conjunction with certain gels to improve the efficacy of those products.

Anti-Infectives: This development project is being maintained with a view to finding a partner to develop and market all or part of its intellectual property. This initiative is ongoing and PBB hopes to have entered into an arrangement with a partner during 2015.

In consideration for acquiring these businesses the PBB Group has issued the following securities:

- £300 million of Convertible Preference Shares in PBB; and
- Anti-Infective (Class A Redeemable Preference) Shares, Haem (Class B Redeemable Preference) Shares and Diagnostics (Class C Redeemable Preference) Shares in PBB (Malta) Limited ("PBBM"), a wholly owned directly held subsidiary of PBB.

The Anti-Infective, Haem and Diagnostics Shares participate in the performance of or sale proceeds and certain realisations from, respectively, the Anti-Infective, Haem and Diagnostics Interests.

Recent acquisition by PBB Group

Following the acquisitions described above, the PBB Group acquired additional intellectual property assets in the haematology field through the acquisition of Recoly NV ("Recoly") and its subsidiaries. Under an agreement dated 18 November 2014, PBBM acquired Recoly and its subsidiaries for consideration including a milestone payable upon product approval in certain major markets, a milestone payable when certain sales targets are met, and single digit royalties on net sales of products.

This subsequent acquisition is included in the definition of Haem Interests for the purpose of the Class B Redeemable Preference Shares.

Current shareholders of PBB

The beneficial shareholders of PBB are the directors who served during 2014 and Rusnano Capital, who together own 100% of the issued ordinary share capital of PBB. In addition, Celtic Pharma Holdings II LP holds all of the Convertible Preference Shares issued by PBB.

Operating and financial performance of PBB Group

Prior to 11 July 2014 Pro Bono Bio PLC had no operating activities.

Following the reorganisation of the group described above, PBB Group has become an international healthcare company with a range of medical devices and cosmetics that use nano-technology. It has commercialized this technology to provide safe and effective healthcare and cosmetics products which also reduce the negative impacts of pharmaceutical drugs and should reduce the overall costs of healthcare.

PBB Group currently has a range of products on the market and under development that address the pain and skin care markets. These products are based on its unique and innovative nano engineered lipid technology platforms. In addition, the group has a pipeline of research programmes and products under development in the haematology, electrical devices and anti-infective fields.

PRO BONO BIO PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

PBB Group's leading product by sales volume is Flexiseq, a gel which can be used to manage joint pain usually associated with osteoarthritis. This product was test marketed in certain markets during 2012 and launched commercially in late 2013. It has become established in 2014 with sales predominantly in the UK and Ireland, as well as initial markets in Continental Europe and Asia. The product's mode of action is to pass through the skin and lubricate damaged joints to successfully reduce friction and thereby reduce inflammation and pain. Furthermore, Flexiseq has been endorsed by a number of key public opinion leaders, such as Arthritis Research UK, Lloyds Pharmacy chain and several professional sports clubs. Flexiseq has also been used by the medical teams of a number of national sports teams.

With this level of endorsement and support, Flexiseq is now sold widely throughout the UK and Ireland. In particular, it is available in leading pharmacies, such as Lloyds and Boots, as well as in the pharmacies of the leading supermarket chains in the UK.

Revenues of the PBB Group from 11 July 2014 amounted to £5.3 million. Had the group's reorganisation taken place on 1 January 2014 and PBB Group PLC been acquired at that date, the consolidated results of Pro Bono Bio PLC would have shown revenues on a pro forma basis of £10.4 million for the year.

Principal risks and uncertainties

The principal risks and uncertainties faced by the group and kept under review by the board of the company have been summarised below.

Funding: The group is currently loss making and is consuming cash. The group is in discussions with a number of parties to provide additional funding to the group. These discussions have yet to result in a definitive agreement to provide funds to the group. Although the directors are confident that in due course the group will obtain committed funding to meet its payment obligations there is, nevertheless, a risk that the group will not obtain sufficient funding and will not be able to continue as a going concern.

Competition: The group has a competitive range of products but operates in a dynamic market where competitive new products are launched from time to time. The group spends substantial amounts on sales and marketing but does not have the scale of marketing budget that is available to some of its larger competitors. Moreover, in 2014 the group made around a third of its sales by volume via its largest retail customer. In 2015 the group has plans to diversify its customer base both in the UK and in continental Europe. As a result of competitive forces in its markets there is a risk that the group is unable to diversify its customer base and a further risk that it loses its principal customer.

Product liability: While the group's products have not shown any contraindications in patients to date there is nonetheless a risk that some patients develop side effects. The group has put in place product liability insurance to cover claims arising should this happen. The consequent loss of sales volumes is, however, a risk that cannot be insured.

Regulatory approvals: The group is developing new products which may require regulatory approvals in the EU and North America as well as other regions. In addition, some of its existing product range requires approval in North America, which the group plans to obtain. The acquired businesses have an excellent track record in successfully obtaining all the necessary approvals for their current product range to be sold in the EU and a number of other countries. There is, nevertheless, a risk that approvals to be sought are delayed or, in the worst case, not obtained, thereby reducing the expected volumes of sales by the group in future.

Patent protection and licences: The group has protected its current and future products with a range of patents and know how to provide protection from imitators. In addition, the group has executed licence arrangements with other entities to ensure it has access to all the technology it requires to develop its current and future ranges of products for the next several years. In spite of this there is a risk that another party is successful in emulating one or more of the group's products without breaching its patents or intellectual property rights.

PRO BONO BIO PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Key staff: The group has a small permanent staff of around 30 FTEs. A number of the group's managers, researchers and other members of staff are highly talented and have been responsible for the acquired business's success and achievements to date. With a small team there is a risk that key members of management and staff leave the business and cannot easily be replaced. Where practicable, the group has succession plans in place but because of the likely need to recruit externally there is a risk of delays in the execution of the group's business plan in the event of unexpected losses of staff.

Outsourced manufacturing: The group has outsourced manufacture of all of its products to a third party contract manufacturer. At present the group has no second source of supply although the current contract manufacturer has the ability and the capacity to manufacture the group's products in at least two manufacturing locations. The group is evaluating a possible second source of supply but until it has a contract in place there is a risk that its current supplier is unable to meet the group's production requirements resulting in a delay or loss of expected sales volumes.

Currency fluctuations: The group currently earns the majority of its revenues in £ sterling but incurs the majority of its direct costs in Euros. Moreover, the group has some intellectual property and licence assets in respect of certain businesses it has acquired during 2014. These amounts are typically denominated in US Dollars. The group does not actively hedge its currency exposures using derivative instruments. As a result of income and expenses and assets and liabilities denominated in different currencies the group is exposed to fluctuations in a number of currencies but principally those of the Euro and the US Dollar versus its reporting currency of £ sterling.

Key performance indicators

Because of the substantial reorganisation during 2014 and the fact that the group had no meaningful operations in 2013 a table of key performance indicators for 2013 and 2014 is not considered meaningful. In future the group's key performance indicators will include revenue and EBITDA.

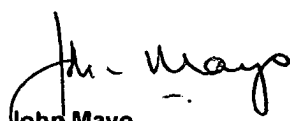
Current trading and prospects

During 2014, the group developed Flexiseq Sport. Flexiseq Sport is designed to lubricate and address joint pain suffered by younger, more active individuals, such as athletes and members of the armed forces. It is batch tested to ensure that it is contaminant free, based on the criteria applied by global anti-doping agencies. Flexiseq Sport was launched commercially in Q1 2015.

The group's product development pipeline includes a range of skin care and lifestyle products which it expects to launch in the UK in Q3 2015. It is also finalising the development of pain relieving products for the equine and veterinary markets which should be launched in Q3 2015. Furthermore, following its acquisition of Recoly and its subsidiaries the group now has intellectual property that will enable it to develop rapidly a product for haemophiliacs.

The group is currently making operating losses and consuming cash as it grows its business. The Directors expect that the group will stem these losses as soon as practicable and, in the meantime, will raise new funding to meet its cash requirements. The Directors are optimistic about the group's prospects for 2015 and expect it to be able to grow its sales through the continued marketing and development of its pain and skin care product ranges.

On behalf of the board of directors


John Mayo
Chairman
4 June 2015

PRO BONO BIO PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report for the year ended 31 December 2014.

Directors of the company

The directors who served during the year and up until the date of this report are shown on page [2].

Result

The statutory loss after tax of the group for 2014 was £4,951,000 (2013: £ nil)

Dividends

The directors do not recommend any dividend for the year (2013: £ nil).

Research and development

Following its reorganisation described in the strategic report the group employed 16 staff involved with its research and development activities as at the end of 2014. During the period which these staff comprised part of the group it invested £1.9 million in research and development activities. Such activities focussed on development of the group's range of products for joint pain as well as development of a new range of skin care products expected to be launched in 2015.

Part of the group's research and development activity is also focussed on its anti-infective products. In spite of successful development activity it is not the group's intention to commercialise this range of products and it is therefore searching for a partner to take over this activity.

Future developments

The directors aim to maintain the strategies which have resulted in the group's substantial growth during 2014. They consider that the next year will show further significant growth in sales from continuing operations, particularly of exports beyond the UK and Ireland.

Events since the balance sheet date

In February 2015 Pro Bono Entrepreneur Limited ("PBEL"), a wholly owned subsidiary, entered into a facility under which a supplier provided £3 million to support the launch of new products. The facility is unsecured and repayable out the revenues generated from sales of Flexiseq by PBEL in the UK.

Financial instruments

The group did not use financial instruments during the year. Details of the group's financial risk management are included in note 3 to the financial statements.

PRO BONO BIO PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Going Concern

The group is currently making operating losses and consuming cash as it grows its business. The directors hope to stem these losses as soon as practicable and, in the meantime, to raise new funding to meet the group's cash requirements. The directors are optimistic about the group's prospects for 2015 and expect to be able to grow its sales through the continued marketing and development of the group's pain and skin care product ranges.

Until the group develops more significant revenues and generates cash from its operations it will remain dependent on external funding in order for it to continue as a going concern. The directors have identified the funding needed for the next 12 months, which they plan to obtain from borrowings or by issuing equity to current or new investors or the sale of assets. Discussions with prospective financiers of the group are at a very advanced stage. However, should these plans not result in the required cash and existing investors are unwilling to continue to provide support, the business may not be able to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern.

The Directors reasonably expect that the company should have adequate resources to continue in operational existence for at least the next 12 months after date of authorisation of these financial statements. Accordingly the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The group and the company financial statements do not include the adjustments that would be required if the group and the company were unable to continue as a going concern.

Directors' liabilities

The company has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying indemnity provision remains in force as at the date of approving the Directors' report.

Political donations

The group has not made any political donations during the year.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Should existing employees become disabled, it is the group's policy to provide continuing employment wherever affordable and practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. All employees are encouraged to present their suggestions and views on the group's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the group's bonus schemes and are expected to be encouraged to invest in the group through participation in share option schemes during 2015.

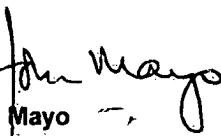
PRO BONO BIO PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the board of directors


John Mayo
Chairman
4 June 2015

PRO BONO BIO PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable United Kingdom law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group 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 estimates that are reasonable and prudent; and
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRO BONO BIO PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRO BONO BIO PLC

Report on the financial statements

Our opinion

In our opinion:

- Pro Bono Bio plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Group and Company - Going concern

In forming our opinion on the group and company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group and company's ability to continue as a going concern. Until the group develops more significant revenues and generates cash from its operations, it will remain dependent on external funding, which is not yet secured, in order for it to continue as a going concern. As the required funding is not yet secured, these conditions, indicate the existence of a material uncertainty which may cast significant doubt about the group and company's ability to continue as a going concern. The group and company financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

What we have audited

Pro Bono Bio plc's financial statements comprise:

- the consolidated and company balance sheets as at 31 December 2014;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated and company cash flow statement for the year then ended;
- the consolidated and company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

PRO BONO BIO PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRO BONO BIO PLC

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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's and 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial 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.

Other matter

The financial statements for the period ended 31 December 2013, forming the corresponding figures for the financial statements for the year ended 31 December 2014, are unaudited.

Stuart Newman

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
4 June 2015

- (a) The maintenance and integrity of the Pro Bono Bio plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
 - (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
-

PRO BONO BIO PLC

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | | Year ended 31 Dec 2014 | Unaudited Period ended 31 Dec 2013 |
|---|-------------|-----------------------------------|---|
| | Note | £'000 | £'000 |
| Revenues | | 5,049 | - |
| Other income | | 276 | - |
| Total revenue | 15 | 5,325 | - |
| Cost of sales | 16 | (1,662) | - |
| Gross profit/result | | 3,663 | - |
| Sales and marketing costs | | (1,166) | - |
| Research and development costs | | (1,949) | - |
| Management, general and administrative costs | 17 | (1,811) | - |
| Depreciation and amortisation | | (4,777) | - |
| Total expenses | | (9,703) | - |
| Operating loss/result | | (6,040) | - |
| Finance income | 18 | 1 | - |
| Finance costs | 18 | (421) | - |
| Loss/result before income tax | | (6,460) | - |
| Income tax credit | 20 | 1,509 | - |
| Loss/result for the financial year | | (4,951) | - |
| Loss/result for the financial year attributable to: | | | |
| Owners of the parent | | (4,909) | - |
| Non-controlling interest | | (42) | - |
| | | (4,951) | - |

The notes on pages 23 to 50 are an integral part of these consolidated financial statements.

PRO BONO BIO PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|---|---|---|
| Loss/result for the financial year | (4,951) | - |
| Items that may subsequently be reclassified to profit and loss | | |
| Exchange differences on translating foreign operations | 12,516 | - |
| Total comprehensive income for the year | 7,565 | - |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 7,607 | - |
| Non-controlling interest | (42) | - |
| Total comprehensive income for the year | 7,565 | - |

The notes on pages 23 to 50 are an integral part of these consolidated financial statements.

PRO BONO BIO PLC**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014**

ASSETS

| | | 2014 | Unaudited |
|-------------------------------|-------------|----------------|------------------|
| | Note | £'000 | 2013 |
| | | | £'000 |
| Non-current assets | | | |
| Intangible assets | 6 | 503,657 | - |
| Property, plant and equipment | 7 | 71 | - |
| Total non-current assets | | <u>503,728</u> | <u>-</u> |
| Current assets | | | |
| Inventories | 9 | 1,308 | - |
| Trade and other receivables | 8 | 2,246 | 50 |
| Income taxes recoverable | | 281 | - |
| Cash and cash equivalents | | <u>1,795</u> | <u>-</u> |
| Total current assets | | <u>5,630</u> | <u>50</u> |
| Total assets | | <u>509,358</u> | <u>50</u> |

The notes on pages 23 to 50 are an integral part of these consolidated financial statements.

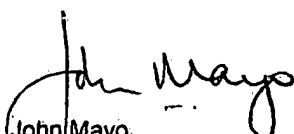
PRO BONO BIO PLC

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

EQUITY AND LIABILITIES

| | | 2014 | Unaudited |
|--|-------------|----------------|------------------|
| | Note | £'000 | 2013 |
| | | | £'000 |
| Equity attributable to owners of the parent | | | |
| Share capital and share premium | 11 | 100 | 50 |
| Currency translation reserve | | 12,516 | - |
| Accumulated losses | | (4,909) | - |
| | | <u>7,707</u> | <u>50</u> |
| Non-controlling interests | 23 | <u>83,022</u> | <u>-</u> |
| Total equity | | <u>90,729</u> | <u>50</u> |
| Non-current liabilities | | | |
| Convertible preference shares | 12 | 300,000 | - |
| Provisions for other liabilities and charges | 13 | 10,587 | - |
| Deferred tax liability | 14 | <u>103,524</u> | <u>-</u> |
| | | <u>414,111</u> | <u>-</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | <u>4,518</u> | <u>-</u> |
| Total liabilities | | <u>418,629</u> | <u>-</u> |
| Total equity and liabilities | | <u>509,358</u> | <u>50</u> |

The financial statements of Pro Bono Bio PLC (registration number 08705972) on pages 14 to 50 were authorised for issue by the board of directors on 4 June 2015 and were signed on its behalf.


John Mayo
Chairman


Michael Earl
Director

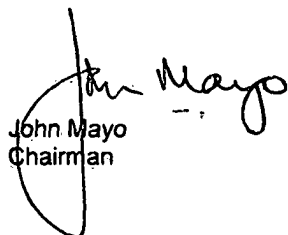
The notes on pages 23 to 50 are an integral part of these consolidated financial statements.

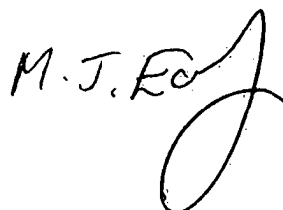
PRO BONO BIO PLC

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2014

| | | 2014 | Unaudited |
|--|-------------|----------------|------------------|
| | Note | £'000 | 2013 |
| | | | £'000 |
| Non-current assets | | | |
| Investments in subsidiaries | 5 | <u>366,216</u> | <u>-</u> |
| Current assets | | | |
| Trade and other receivables | | 18 | 50 |
| Amounts due from subsidiary undertakings | | 2,006 | - |
| Cash and cash equivalents | | <u>58</u> | <u>-</u> |
| Total current assets | | <u>2,082</u> | <u>50</u> |
| Total assets | | <u>368,298</u> | <u>50</u> |
| Equity attributable to owners of the parent | | | |
| Share capital and share premium | 11 | 100 | 50 |
| Retained earnings | | <u>(21)</u> | <u>-</u> |
| Total equity | | <u>79</u> | <u>50</u> |
| Non-current liabilities | | | |
| Convertible preference shares | 12 | 300,000 | - |
| Amounts due to subsidiary undertakings | | <u>68,191</u> | <u>-</u> |
| | | 368,191 | - |
| Current liabilities | | | |
| Trade and other payables | | <u>28</u> | <u>-</u> |
| Total liabilities | | <u>368,219</u> | <u>-</u> |
| Total equity and liabilities | | <u>368,298</u> | <u>50</u> |

The financial statements of Pro Bono Bio PLC (registration number 08705972) on pages 14 to 50 were authorised for issue by the board of directors on 4 June 2015 and were signed on its behalf.


John Mayo
Chairman


Michael Earl
Director

The notes on pages 23 to 50 are an integral part of these consolidated financial statements.

PRO BONO BIO PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Note | Share capital £'000 | Share premium £'000 | Currency translation reserve £'000 | Accumulated losses £'000 | Total £'000 | Non- controlling interest £'000 | Total equity £'000 |
|---|------|---------------------------|---------------------------|---|--------------------------------|----------------|--|--------------------------|
| Balance on incorporation | | - | - | - | - | - | - | - |
| Loss/result for the financial period | | - | - | - | - | - | - | - |
| Total | | - | - | - | - | - | - | - |
| Issue of share capital | 11 | 50 | - | - | - | 50 | - | 50 |
| Balance at 31 December 2013 - unaudited | | 50 | - | - | - | 50 | - | 50 |
| Balance at 1 January 2014 | | 50 | - | - | - | 50 | - | 50 |
| Loss/result for the financial year | | - | - | - | (4,909) | (4,909) | (42) | (4,951) |
| Translation of foreign operations | | - | - | 12,516 | - | 12,516 | - | 12,516 |
| Total | | 50 | - | 12,516 | (4,909) | 7,657 | (42) | 7,615 |
| Issue of share capital | 11 | 50 | - | - | - | 50 | - | 50 |
| Non-controlling interests arising on business combination | 23 | - | - | - | - | - | 2,828 | 2,828 |
| Issue of Class A, B and C shares by PBB (Malta) Limited | 23 | - | - | - | - | - | 80,236 | 80,236 |
| Balance at 31 December 2014 | | 100 | - | 12,516 | (4,909) | 7,707 | 83,022 | 90,729 |

The notes on pages 23 to 50 are an integral part of these consolidated financial statements.

PRO BONO BIO PLC

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Note | Share capital £'000 | Share premium £'000 | Accumulated losses £'000 | Total equity £'000 |
|---|-------------|------------------------------------|------------------------------------|---|-------------------------------|
| Balance on incorporation | | - | - | - | - |
| Loss/result for the financial period | | - | - | - | - |
| Total | | - | - | - | - |
| Issue of share capital | 11 | 50 | - | - | 50 |
| Balance at 31 December 2013 - unaudited | | 50 | - | - | 50 |
| Balance at 1 January 2014 | | 50 | - | - | 50 |
| Loss/result for the financial year | | - | - | (21) | (21) |
| Total | | 50 | - | (21) | 29 |
| Issue of share capital | 11 | 50 | - | - | 50 |
| Balance at 31 December 2014 | | 100 | - | (21) | 79 |

The notes on pages 23 to 50 are an integral part of these consolidated financial statements.

PRO BONO BIO PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | | Year ended 31 Dec 2014 | | Unaudited Period ended 31 Dec 2013 | |
|--|-------------|-----------------------------------|--------------|---|--------------|
| | Note | £'000 | £'000 | £'000 | £'000 |
| Cash flows from operating activities | | | | | |
| Cash outflow from operations | 21 | | (1) | | (50) |
| Interest received | | | 1 | | 1 |
| Finance costs | | | (420) | | - |
| Net cash flows used in operating activities | | | (420) | | (50) |
| Cash flows from investing activities | | | | | |
| Purchase of intangible assets | | (32) | | - | |
| Purchase of property, plant and equipment | | (1) | | - | |
| Cash holdings from acquired subsidiaries | | 2,198 | | - | |
| Net cash flows used in investing activities | | | 2,165 | | - |
| Cash flows from financing activities | | | | | |
| capital | | 50 | | 50 | |
| Net cash flows generated from financing activities | | | 50 | | 50 |
| Net increase in cash and cash equivalents | | | 1,795 | | - |
| Cash and cash equivalents at 1 January | | | - | | - |
| Cash and cash equivalents at 31 December | | | 1,795 | | - |

The notes on pages 23 to 50 are an integral part of these consolidated financial statements.

PRO BONO BIO PLC

**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Year ended 31 Dec 2014 | | Unaudited Period ended 31 Dec 2013 | |
|--|-----------------------------------|--------------|---|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cash flows from operating activities | | | | |
| Cash inflow (outflow) from operations | | 39 | | (50) |
| Net cash flows generated by (used in) operating activities | | 39 | | (50) |
| Cash flows from investing activities | | | | |
| Investments in subsidiaries | (31) | | - | |
| Net cash flows used in investing activities | | (31) | | - |
| Cash flows from financing activities | | | | |
| Proceeds from issuance of share capital | 50 | | 50 | |
| Net cash flows generated from financing activities | | 50 | | 50 |
| Net increase in cash and cash equivalents | | 58 | | - |
| Cash and cash equivalents at 1 January | | - | | - |
| Cash and cash equivalents at 31 December | | 58 | | - |

The notes on pages 23 to 50 are an integral part of these consolidated financial statements.

PRO BONO BIO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL INFORMATION

Pro Bono Bio PLC ("PBB" or the "company") and its subsidiaries (together the "group") principally engage in the business of developing and selling healthcare products. The company is a limited liability company incorporated on 25 September 2013 and is domiciled in the United Kingdom.

Going Concern

The group is currently making operating losses and consuming cash as it grows its business. The directors hope to stem these losses as soon as practicable and, in the meantime, to raise new funding to meet the group's cash requirements. The directors are optimistic about the group's prospects for 2015 and expect to be able to grow its sales through the continued marketing and development of the group's pain and skin care product ranges.

Until the group develops more significant revenues and generates cash from its operations it will remain dependent on external funding in order for it to continue as a going concern. The directors have identified the funding needed for the next 12 months, which they plan to obtain from borrowings or by issuing equity to current or new investors or the sale of assets. Discussions with prospective financiers of the group are at a very advanced stage. However, should these plans not result in the required cash and existing investors are unwilling to continue to provide support, the business may not be able to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern.

The directors reasonably expect that the company should have adequate resources to continue in operational existence for at least the next 12 months after the date of authorisation of these financial statements. Accordingly the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The group and the company financial statements do not include the adjustments that would be required if the group and the company were unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union and also the provisions of the UK Companies Act 2006.

The comparatives relate to the period commencing 25 September 2013 and ending on 31 December 2013. The comparatives are unaudited because, in accordance with section 471 of the Companies Act 2006, the members did not require the company to obtain an audit for the period ended 31 December 2013.

The company has prepared group accounts in accordance with the Companies Act 2006 and accordingly is not required to publish the company's individual profit and loss account pursuant to the exemption provided by section 408 of the Companies Act 2006. A loss of £21,000 (2013: £nil) has been dealt with in the company's profit and loss account for the year ended 31 December 2014.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements include the determination of the fair value of certain assets and liabilities, the determination of the useful economic lives and residual values of fixed assets and the impairment review of non-current assets.

The following IASB pronouncements that are applicable in the 2014 financial year for the first time have been adopted and any material impact has been included in the presentation of the group's results, financial position and cash flows:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.
- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units ("CGUs") which had been included in IAS 36 by the issue of IFRS 13.
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.
- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. The standard is effective for accounting periods beginning on or after 1 January 2018. The group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2017. The group is assessing the impact of IFRS 15, which is not yet endorsed by the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

PRO BONO BIO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2.2 CONSOLIDATION

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of Pro Bono Bio PLC (the parent company) and its subsidiary investments.

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the group.

(b) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Dilution gains and losses arising on investments in associates are recognised in the income statement.

At present the group has no investments in associates.

PRO BONO BIO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2.3 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in £ sterling which is the company's functional and the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or dates of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, with the exception of differences on certain intra-group balances mentioned below, are recognised in the income statement. Exchange differences arising on foreign currency intra-group balances for which settlement is neither planned nor likely to occur and which form part of the net investment in a foreign operation are taken directly to equity ("currency translation reserve") until the disposal of the net investment, at which time they are recognised in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.4 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated so as to write off their costs, less estimated residual values, over their useful economic lives, as follows:

Fixtures, fittings and equipment - 3 to 5 years, straight-line basis

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Depreciation commences when assets are ready for use.

PRO BONO BIO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2.5 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Intellectual Property, Trademarks and Licences

Separately acquired intellectual property, trademarks and licences are shown at historical cost.

Intellectual property, trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date.

Intellectual property, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 20 years.

2.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units or CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

PRO BONO BIO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2.8 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised and carried at fair value.

An estimate for doubtful debts is provided when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at cost less an allowance for any non-collectable amounts.

2.9 CASH AND CASH EQUIVALENTS

In the statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.10 SHARE CAPITAL

Ordinary shares are classified as equity. Ordinary share capital is recognised at the nominal value of the consideration received. Any difference between the fair value of the consideration received and the nominal value of the issued shares is recognised as share premium, after deducting related financing costs.

2.11 CONVERTIBLE PREFERENCE SHARES

The convertible preference shares, which are convertible into a variable number of shares, are classified as a financial liability per IAS 32. The liability is initially recorded at fair value and subsequently measured at amortised cost with changes in value being recorded in the income statement as finance income or cost based on an original effective interest rate.

2.12 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2.14 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15 EMPLOYEE BENEFITS

(a) Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.16 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes and after eliminating sales within the group. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The group develops and sells a range of healthcare products to retailers, wholesalers and distributors. Sales of goods are recognised when a group entity has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue is adjusted for the value of expected returns. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with predetermined volume discounts. Some customers have a right to return out of date products. Sales are recorded based on the price specified in the sales contracts, net of the stipulated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the returns.

No element of financing is deemed present as the sales are made with credit terms of up to 60 days, which is consistent with the market practice.

2.17 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The group's activities expose it to a variety of financial risks: market risk (primarily currency risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

a) Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The group does not enter into derivative financial instruments to hedge its foreign currency risk.

At 31 December 2014, if the £sterling had weakened by 5% against the Euro with all other variables held constant, the recalculated post-tax loss for the year would have been £72,000 (2013: £nil) worse, mainly as a result of cost of goods sold being denominated in euros. Losses are more sensitive to movement in £ sterling/Euro exchange rates in 2014 than 2013 because of the inclusion of a number of operations based in the Eurozone. Similarly, the impact on equity would have been £62,000 (2013: £nil) higher because inventories are held in euros.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3.1 FINANCIAL RISK FACTORS (CONTINUED)

At 31 December 2014, if the £ sterling had weakened by 5% against the US dollar with all other variables held constant, the recalculated post-tax loss for the year would have been £172,000 worse in 2014 (2013: £ nil) since the group's amortisation of intellectual property and licences is denominated in US dollars. The impact on equity would have been a significant increase at £8.8 million because the intellectual property and licence assets of the group are denominated predominantly in US dollars.

b) Credit risk

Credit risk is managed on group basis, including credit risk relating to accounts receivable balances. The central finance function is responsible for managing and analysing the credit risk for each of the group's new customers before payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to distributors, wholesale customers and retail customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Typically the group's customers are not independently rated. Where there is no independent rating, the central finance function assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored by the central finance function.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

c) Liquidity risk

The group's liquidity risk relates mainly to its continuing need to raise sufficient funding to support its operations and finance its corporate expenses.

3.2 CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

At 31 December 2014 the group had no external borrowings or undrawn bank facilities. As mentioned in note 1, the group is currently loss-making and therefore dependent on securing external sources of funding.

3.3 FAIR VALUE ESTIMATION

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 31 December 2014 the group had no material holdings of financial instruments.

PRO BONO BIO PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 CRITICAL JUDGEMENTS IN APPLYING THE ENTITIES' ACCOUNTING POLICIES

The financial statements have been prepared on a going concern basis as stated in note 1.

When considering the business combinations set out in note 23, the group assessed whether the entities being acquired are a business or a collection of assets and has determined the useful economic lives of the acquired intangible assets.

The valuations of the convertible preference shares issued by the company and the Class A, B and C redeemable preference shares issued by PBB (Malta) Limited as part of the business combinations are critical estimates.

The group has an inventory of finished goods that remains within its useful shelf life. Certain customers will not accept goods with a shelf life of less than 18 months. Accordingly the group has made a fair value adjustment in respect of all inventories that have a shelf life of less than 18 months.

4.2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The group tests annually whether its intangible assets, including goodwill, have suffered any impairment, in accordance with the accounting policy stated in note 2.6. For the year ended 31 December 2014, being the first year that substantial intangible assets have been recorded in the consolidated balance sheet, the recoverable amounts have been determined based on an independent valuation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

5. SUBSIDIARIES

The consolidated financial statements include the financial statements of Pro Bono Bio PLC and its subsidiaries.

As at 31 December 2014 the company had the following principal subsidiaries:

| Consolidated subsidiaries | Country of Incorporation | Nature of business | Proportion of ordinary shares directly held by the parent | Proportion of ordinary shares held by the group | Proportion of ordinary shares held by non-controlling interests | Proportion of preference shares held by the group |
|--|--------------------------|--------------------------------|---|---|---|---|
| PBB (Malta) Limited | Malta | Investment holding company | 100% | 100% | | 0% |
| PBB Holdings LLC | Russia | Investment holding company | | 100% | | |
| Pro Bono Bio Group PLC | United Kingdom | Investment holding company | | 100% | | |
| Pro Bono Bio Entrepreneur Limited | United Kingdom | Healthcare products supplier | | 100% | | |
| Pro Bono Bio International Trading Limited | Malta | Healthcare products supplier | | 100% | | |
| Leverton Licence Holdings Limited | Malta | Intellectual property supplier | 100% | 100% | | |
| Sequessome Technology Holdings Limited | Malta | Intellectual property supplier | | 100% | | |
| Cantab Biopharmaceutical Patents Limited | Malta | Intellectual property supplier | | 100% | | |
| Cantab Biopharmaceutical Holdings Limited | Malta | Investment holding company | 100% | 100% | | |
| Cantab Biopharmaceutical Limited | United Kingdom | Healthcare products developer | | 100% | | |
| Recoly NV | Dutch Antilles | Intellectual property supplier | | 100% | | |
| Opperbas Holdings BV | Netherlands | Intellectual property supplier | | 100% | | |
| Omri Labs Limited | Israel | Intellectual property supplier | | 100% | | |
| Zilip Pharma BV | Netherlands | Intellectual property supplier | | 100% | | |
| Dialog Devices Limited | United Kingdom | Healthcare products developer | | 91% | 9% | |
| Novacta Holdings PLC | Malta | Investment holding company | | 54% | 46% | |
| Novacta Biosystems Limited | United Kingdom | Healthcare products developer | | 54% | 46% | |
| Novacta Malta 1 PLC | Malta | Intellectual property supplier | | 59% | 41% | |
| Novacta Malta 2 PLC | Malta | Intellectual property supplier | | 59% | 41% | |
| Novacta Malta 3 PLC | Malta | Intellectual property supplier | | 59% | 41% | |
| Cantab Anti-Infectives Limited | United Kingdom | Healthcare products developer | | 100% | | |
| Pro Bono Bio Inc | Canada | Marketing services supplier | | 100% | | |

At 1 January 2014 the company's sole subsidiary was PBB (Malta) Limited. During 2014 the group established PBB Holdings LLC and Pro Bono Bio Inc. as new subsidiaries. It also acquired interests in all of the other subsidiaries set out above which the company has accounted for as a business combination since the date of acquisition of each subsidiary (see note 23).

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of issued ordinary shares held, except for Novacta Holdings PLC and its wholly owned subsidiary Novacta Biosystems Limited where, because of its holdings of non-voting ordinary shares the group has 59% of the voting rights compared with its holdings of ordinary shares which amount to 54% of the total issued ordinary shares.

There are no subsidiaries with non-controlling interests that have operations that are material to the group.

PRO BONO BIO PLC

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6. INTANGIBLE ASSETS

| | Goodwill £'000 | Intellectual property, trademarks and licences £'000 | Total £'000 |
|--|---------------------------|---|------------------------|
| Cost | | | |
| On incorporation | - | - | - |
| Additions | - | - | - |
| Exchange differences | - | - | - |
| As at 31 December 2013 | - | - | - |
| Additions | - | 32 | 32 |
| Acquisitions of subsidiaries | 193,486 | 297,652 | 491,138 |
| Exchange differences | - | 17,243 | 17,243 |
| As at 31 December 2014 | <u>193,486</u> | <u>314,927</u> | <u>508,413</u> |
| Accumulated amortisation and impairment | | | |
| On incorporation | - | - | - |
| Amortisation charge | - | - | - |
| As at 31 December 2013 | - | - | - |
| Amortisation charge | - | 4,755 | 4,755 |
| Acquisitions of subsidiaries | - | 1 | 1 |
| As at 31 December 2014 | <u>-</u> | <u>4,756</u> | <u>4,756</u> |
| Net book value | | | |
| Cost | - | - | - |
| Accumulated amortisation and impairment | - | - | - |
| As at 31 December 2013 | - | - | - |
| Cost | 193,486 | 314,927 | 508,413 |
| Accumulated amortisation | - | (4,756) | (4,756) |
| As at 31 December 2014 | <u>193,486</u> | <u>310,171</u> | <u>503,657</u> |

Goodwill of approximately £193 million and intellectual property, trademarks and licences of approximately £298 million have arisen upon the acquisition of all of the group's material subsidiaries between July and September 2014 and which now comprise the majority of the group's current operations. These acquisitions have been accounted for as a business combination which has been described in more detail in note 23.

Impairment test for goodwill

The business operates as a single cash generating unit and therefore management monitors the value of goodwill for the group as a whole.

The recoverable amount of goodwill has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets and projections prepared by

PRO BONO BIO PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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management covering a five-year period. Revenues and cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate stated below.

The key assumptions used in the value in use calculations are as follows:

- annual revenue growth rates in the five year period: 30% to 521%;
- gross profit margins: 74% to 75%;
- pre-tax discount rate: 15%; and
- long-term growth rate: 3%.

Based on these assumptions the value in use calculations show that the recoverable amount of goodwill exceeds its carrying value.

Using a compound annual sales volume growth rate of 77%, a gross margin of 71% to 72% or pre-tax discount rate of 24% would, each taken in isolation, result in the recoverable amount being close to the carrying amount.

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7. PROPERTY, PLANT AND EQUIPMENT

| | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Total £'000 |
|---|--|---|------------------------|
| On incorporation | | | |
| Cost or valuation | - | - | - |
| Accumulated depreciation | - | - | - |
| Net book amount | - | - | - |
| Year ended 31 December 2013 | | | |
| Opening net book amount | - | - | - |
| Additions/movements | - | - | - |
| Exchange differences | - | - | - |
| Depreciation charge | - | - | - |
| Closing net book amount | - | - | - |
| At 31 December 2013 | | | |
| Cost or valuation | - | - | - |
| Accumulated depreciation | - | - | - |
| Net book amount | - | - | - |
| Year ended 31 December 2014 | | | |
| Opening net book amount | - | - | - |
| Additions/movements | - | 1 | 1 |
| Acquisitions of subsidiaries | 40 | 52 | 92 |
| Exchange differences | - | - | - |
| Depreciation charge | (7) | (15) | (22) |
| Closing net book amount | 33 | 38 | 71 |
| At 31 December 2014 | | | |
| Cost or valuation | 40 | 53 | 93 |
| Accumulated depreciation and impairment | (7) | (15) | (22) |
| Net book amount | 33 | 38 | 71 |

The group fully outsources its supply chain and logistics activities and therefore does not hold any significant tangible fixed assets.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. TRADE AND OTHER RECEIVABLES

| | 2014 | Unaudited |
|-------------------|--------------|------------------|
| | 2013 | |
| | £'000 | £'000 |
| Trade receivables | 1,613 | - |
| Other receivables | 454 | 50 |
| Prepaid expenses | 179 | - |
| | <u>2,246</u> | <u>50</u> |

As at 31 December 2014 the group's trade receivables were fully performing.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

| | 2014 | Unaudited |
|------------|--------------|------------------|
| | 2013 | |
| | £'000 | £'000 |
| £ sterling | 654 | - |
| Euro | 959 | - |
| | <u>1,613</u> | <u>-</u> |

9. INVENTORIES

The group's inventories comprise only finished goods.

10. TRADE AND OTHER PAYABLES - CURRENT

| | 2014 | Unaudited |
|---------------------------------|--------------|------------------|
| | 2013 | |
| | £'000 | £'000 |
| Trade payables | 2,828 | - |
| Other payables | 196 | - |
| Social security and other taxes | 102 | - |
| Accrued expenses | 1,392 | - |
| | <u>4,518</u> | <u>-</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

11. SHARE CAPITAL AND SHARE PREMIUM

| | Number of ordinary shares '000 | Number of A ordinary shares '000 | Share capital £'000 | Share premium £'000 | Total £'000 |
|---------------------------------|---|---|---------------------------|---------------------------|----------------|
| On incorporation | - | - | - | - | - |
| Issues during the year | 50 | - | 50 | - | 50 |
| At 31 December 2013 - unaudited | 50 | - | 50 | - | 50 |
| Issues during the year | - | 50 | 50 | - | 50 |
| At 31 December 2014 | 50 | 50 | 100 | - | 100 |

On 18 December 2014 the company issued 49,998 A Ordinary Shares to Molard International (PTC) as trustee of RNPharma. The sole beneficiary of RNPharma is Rusnano Capital a 100% subsidiary of Rusnano.

12. CONVERTIBLE PREFERENCE SHARES

On 11 September 2014 the company issued 300,000,000 convertible preference shares at nominal value of £1 per convertible preference share ("CPS") to Celtic Pharma Holdings II LP in consideration for the acquisition of certain subsidiaries as described more fully in note 23.

The CPS rank equally for dividends and pro rata to all other shares on a return of capital or liquidation. The CPS may not attend, speak or vote at general meetings of PBB. The CPS will convert into ordinary shares upon a conversion event (a sale or an IPO) such that the fully diluted number of ordinary shares represented by the CPS equals 30% of the capital in issue, provided that the total funding level (cash subscribed for ordinary shares between the date of issue and the date of conversion of the CPS) does not exceed the total funding threshold (\$300 million). Upon the 6th anniversary of the date of adoption of the articles PBB may, at its option, either redeem the CPS for £300 million in cash, or convert the CPS into ordinary shares for each CPS, provided that number of fully diluted shares represented by CPS equals 40% of the capital in issue.

Because the CPS does not convert into a predetermined fixed number of ordinary shares, it does not meet one of the conditions stipulated in IAS 32 for the instrument to be recorded as an equity instrument. Although the instrument imposes no obligation on the company to make any cash distributions to the holders of the CPS and has all the other features of an equity instrument stipulated in IAS 32, it has nevertheless been recorded as a financial liability of the company in its consolidated financial statements in order to comply strictly with the requirements of IFRS.

Management has assessed the fair value of the CPS based on its valuation of the group, which is not materially out of line with independent valuations of the group made around the time of issue of the CPS. Accordingly, management considers that the fair value of the CPS at the date of issue is not materially different from the nominal value of £300 million of these shares.

PRO BONO BIO PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****13. PROVISIONS FOR OTHER LIABILITIES AND CHARGES**

| | Deferred and contingent consideration £'000 | Total £'000 |
|--|--|----------------|
| At 1 January 2014 | - | - |
| Provisions arising from acquisition of subsidiaries (see note 23) | 10,587 | 10,587 |
| At 31 December 2014 | <u>10,587</u> | <u>10,587</u> |

By an agreement dated 18 November 2014 PBB (Malta) Limited ("PBBM") acquired Recoly and its subsidiaries for consideration payable as follows: (1) low single digit royalties on aggregate net sales; and (2) deferred consideration of \$10 million upon FDA approval in the US or two major EU countries and \$10 million upon cumulative Net Sales on Products reaching \$50 million. PBBM also agreed to pay €17,500 at closing to settle amounts due to former shareholders and €687,000 to settle amounts due to former shareholders, but only if cumulative Net Sales on Products reach \$10 million

Management has assessed the fair value of the liabilities assumed by PBBM under the share purchase agreement. For this purpose management has assessed the fair value of these liabilities to equal the sum of the consideration payable in the event of FDA approval and sales exceeding \$50 million giving an aggregate expected payment for deferred consideration of \$20 million (recorded at a discounted value of £10 million).

The amounts of deferred and contingent consideration described above have been assumed to be paid between 2017 and 2020 and have been discounted at a rate of 10% accordingly.

In addition, the provisions include an undiscounted amount of deferred consideration of £0.5 million payable in respect of the acquisition of Pro Bono Bio Group PLC on 7 July 2014.

14. DEFERRED TAX LIABILITY

The analysis of deferred tax liabilities is set out below.

| | 2014 £'000 | Unaudited 2013 £'000 |
|---|----------------|----------------------------|
| Deferred tax liabilities: | | |
| Deferred tax liability to be recovered after more than 12 months | 98,561 | - |
| Deferred tax liability to be recovered within 12 months | 4,963 | - |
| | <u>103,524</u> | <u>-</u> |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The movement on the deferred income tax account is set out below.

| | 2014 £'000 | Unaudited 2013 £'000 |
|---|----------------|----------------------------|
| As at 1 January | - | - |
| Deferred tax liability arising from fair value uplift in respect of acquired intellectual property and licences (see note 23) | 99,251 | - |
| Exchange differences | 5,782 | |
| Income statement credit (see note 20) | (1,509) | |
| As at 31 December | <u>103,524</u> | <u>-</u> |

The group did not recognise deferred income tax assets in respect of accumulated tax losses for the company and its subsidiaries totalling £30 million (2013: £ nil) that may be carried forward against future taxable income.

15. ENTITY WIDE INFORMATION

Revenues from external customers by country, based on the destination of the customer:

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|--------------------|------------------------------------|--|
| UK and Ireland | 3,978 | - |
| Continental Europe | 340 | - |
| Asia | 894 | - |
| Rest of world | 113 | - |
| | <u>5,325</u> | <u>-</u> |

Revenues of approximately £3.4 million (2013: £ nil) are derived from a single external customer. These revenues were generated in the UK/Ireland.

16. COST OF SALES

The cost of inventories recognised as an expense and included in cost of sales amounted to £799,000 (2013: £ nil).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

17. MANAGEMENT, GENERAL AND ADMINISTRATIVE COSTS

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|-------------------------------------|------------------------------------|--|
| Management and administrative costs | 1,178 | - |
| Professional fees | 269 | - |
| Travel expenses | 51 | - |
| Establishment and other costs | 313 | - |
| | <u>1,811</u> | <u>-</u> |

18. FINANCE INCOME AND COSTS

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|----------------------------|------------------------------------|--|
| Bank interest receivable | 1 | - |
| Finance income | <u>1</u> | <u>-</u> |
| Interest expense | (223) | - |
| Foreign currency result | (194) | - |
| Other finance/bank charges | (4) | - |
| Finance costs | <u>(421)</u> | <u>-</u> |
| Net finance (costs) | <u>(420)</u> | <u>-</u> |

19. EMPLOYEE BENEFITS

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|-----------------------|------------------------------------|--|
| Wages and salaries | 1,238 | - |
| Social security costs | 133 | - |
| | <u>1,371</u> | <u>-</u> |

The number of personnel employed at the end of the financial year was 31 (2013: nil).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Remuneration paid by the group to the directors of the parent company is set out below.

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|------------------------------|---|---|
| Short-term employee benefits | 362 | - |
| | <u>362</u> | <u>-</u> |

Remuneration paid by the group to the highest paid director is set out below.

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|------------------------|---|---|
| Aggregate remuneration | 119 | - |
| | <u>119</u> | <u>-</u> |

20. INCOME TAX EXPENSE

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|--------------------------------------|---|---|
| Current tax | | |
| Current tax on loss for the year | - | - |
| Adjustment in respect of prior years | - | - |
| Total current tax | - | - |
| Deferred tax (credit) | (1,509) | - |
| Income tax (credit) | <u>(1,509)</u> | <u>-</u> |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The tax on the group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|--|------------------------------------|--|
| Reconciliation of tax expense | | |
| Loss/result before tax | (6,460) | - |
| Tax calculated at domestic tax rates applicable to profits in the respective countries and giving an effective rate of 33% | (2,136) | - |
| Tax effects of: | | |
| Tax losses and other temporary differences for which no deferred income tax asset was recognised | 627 | - |
| Tax credit | <u>(1,509)</u> | <u>-</u> |

21. CASH FLOWS FROM OPERATING ACTIVITIES

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|---|------------------------------------|--|
| Loss/result before tax | (6,460) | - |
| Depreciation and amortisation charges (notes 6 and 7) | 4,777 | - |
| Finance income (note 18) | (1) | - |
| Finance costs (note 18) | 421 | - |
| Decrease/(increase) in inventories | 114 | - |
| (Increase) in receivables | (942) | (50) |
| Increase in payables | 2,090 | - |
| Cash flows used in operating activities | <u>(1)</u> | <u>(50)</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

22. COMMITMENTS

a) Capital commitments

At 31 December 2014 the group had no outstanding capital commitments.

b) Operating lease commitments

Rental and operating lease payments were £ 37,000 for the year ended 31 December 2014 (2013 £ nil).

The group leases various offices and equipment under non-cancellable operating lease agreements. At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | 2014 | Unaudited |
|--|--------------|------------------|
| | 2013 | |
| | £'000 | £'000 |
| Within one year | 32 | - |
| In the second to fifth years inclusive | - | - |
| | <u>32</u> | <u>-</u> |

23. BUSINESS COMBINATION

During 2014 the group was formed through the implementation of a number of connected transactions with related parties as described below.

- On 28 May 2014 PBB (Malta) Limited ("PBBM") formed PBB Holdings LLC ("PBBH LLC"), a Russian company, and subscribed for 10,000 shares of 1 rouble each (of which 9,900 shares are held in the name of PBBM and 100 shares are held in the name of John Mayo on behalf of PBBM).
- By an agreement dated 11 July 2014 PBBH LLC acquired 500 million ordinary shares of PBB Group PLC for \$877,000 in cash. By mutual agreement the consideration (which reimburses the seller for certain costs) has not yet been paid by PBBH LLC. The acquisition was unconditional and closed on 11 July 2014.
- The following part of the reorganisation took place pursuant to two agreements that were executed on 11 July 2014 and closed simultaneously on 11 September 2014. By an agreement dated 11 July 2014 between Celtic Pharma Holdings II LP ("CPH 2") and PBB, PBB acquired all of CPH 2's interests in Leverton Licence Holdings Limited ("LLHL") and Cantab Biopharmaceutical Holdings Limited ("CBH") in exchange for the issue of £300 million of convertible preference shares ("CPS") in PBB. By an agreement dated 11 July 2014 between CPH 2 and PBBM, PBBM acquired shares and warrants in New Pharma Licence Holdings Limited, Novacta Holdings Plc, Novacta Malta 1 Plc, Novacta Malta 2 Plc, Novacta Malta 3 Plc and Dialog Devices Limited, as well as a convertible loan from Dialog Devices Limited in exchange for the issue by PBBM of Anti-Infective (Class A Redeemable Preference) Shares, Haem (Class B Redeemable Preference) Shares and Diagnostics (Class C Redeemable Preference) Shares to CPH 2. The rights of the Class A, B and C shares are set out in the Articles of PBBM and summarised later in this note.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Separately from the connected transactions described above and by an agreement dated 18 November 2014 PBBM acquired Recoly and its subsidiaries for consideration payable as described in note 13.

The goodwill of approximately £193 million arising from the acquisitions is attributable to the pipeline of existing and new products and the revenues likely to be generated from these products. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the shareholdings acquired by the company and its subsidiaries, the fair value of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

**Consideration for acquisition in 2014 of various subsidiaries that
now comprise the operations of the PBB Group** **£'000**

| | |
|---|----------------|
| Vendor note | 513 |
| Securities instruments (convertible preference shares) issued by parent company | 300,000 |
| Securities instruments (Class A, B and C Shares) issued by PBB (Malta) Limited | 80,236 |
| Contingent consideration | 10,073 |
| Total consideration | <u>390,822</u> |

**Recognised amounts of identifiable assets acquired and liabilities
assumed** **£'000**

| | |
|--|----------------|
| Cash and cash equivalents | 2,198 |
| Property, plant and equipment | 92 |
| Intangible assets - intellectual property and licenses | 297,651 |
| Inventories | 1,422 |
| Trade and other receivables | 1,254 |
| Trade and other payables | (3,203) |
| Deferred tax liability | (99,251) |
| Total identifiable net assets | <u>200,163</u> |
| Non-controlling interests | (2,828) |
| Goodwill | 193,487 |
| Total | <u>390,822</u> |

The fair value of the intangible assets of £297 million has been assessed by management based on an independent valuation of the acquired assets.

The fair value of inventory is based on an assessment of the recoverability and obsolescence of the finished goods acquired and the fair value of the trade and other receivables takes account of an impairment review of the underlying assets resulting in any necessary impairments being made.

For all other identifiable assets acquired and liabilities assumed as well as the non-controlling interest, the fair value is assessed by management to be in line with the net book values.

The fair value of the security interest and contingent consideration has been assessed by management and the basis for these values is explained in more detail in note 12, note 13 and later in this note.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

On 11 September 2014 PBB (Malta) Limited ("PBBM"), one of the company's directly held subsidiaries, issued 100,000 Class A redeemable preference shares, 100,000 Class B redeemable preference shares and 100,000 Class C redeemable preference shares to Celtic Pharma Holdings II LP. All of the shares had a nominal value of €0.01 each and were issued in exchange for certain subsidiaries as described earlier in this note.

The Articles of PBBM set out the terms of the following three classes of shares: Class A redeemable preference shares ("Anti-Infective Shares"), Class B redeemable preference shares ("Haem Shares"), and Class C redeemable preference shares ("Diagnostics Shares").

Holders of the Anti-Infective, Haem and Diagnostics Shares are not entitled to attend, speak or vote at general meetings of the PBBM.

The Anti-Infective and Haem Shares do not participate in the profits of PBBM. The Diagnostics Shares receive a preferential dividend equal to 10% of the net sales of Dialog Devices Limited each quarter, provided sales are positive for the quarter. At present Dialog Devices Limited generates no such sales.

Upon a return or reduction of capital there will be a first pro rata distribution as follows: (1) 75% of the Proceeds of the Anti-Infective Interests to the Anti-Infective Shares; (2) to the Haem Shares at PBBM's election: either, 75% of the Proceeds of the Haem Interests; or \$66 million in each of the first three financial years where Cantab Biopharmaceuticals Patents Limited earns a gross margin in excess of \$100 million from Haem Interests, subject to adjustment for any minority interests in CBP; (3) to the Diagnostics Shares, at PBBM's election: either, 75% of the Proceeds of the Diagnostics Interests; or \$20 million, plus interest at 10% per annum from the date of issue of the Diagnostics Shares. The Proceeds referred to above shall be determined based on the gross proceeds of sale which will be reduced by the aggregate of the expenses of sale and four times the costs invested by the PBB Group to enable the development and sale of the relevant assets to give the net proceeds for pro rata distribution.

Each of provisions (1), (2) and (3) above will apply in the event of a sale or disposal of respectively the Anti-Infective, Haem or Diagnostics Interests in which case the relevant class of Shares will be redeemed.

Since the Class A, B and C redeemable preference shares only result in the company making cash distributions to holders of these securities following a sale or disposal, and the company cannot be compelled to effect such a sale or disposal, IAS 32 requires that these securities are recorded as equity instruments in the books of the issuer, PBB (Malta) Limited. In the consolidated financial statements of the company these instruments, which are held by third parties, are therefore valued and recorded as non-controlling interests. For this purpose these non-controlling interests have been valued as described below.

The Anti-Infective Shares provide that in the event of a sale of the Anti-Infective Interests, PBBM will pay 75% of the Proceeds from this sale. Management has assessed the fair value of the assets and hence the Class A redeemable preference shares issued by PBBM to be nil.

The Haem Shares provide that PBBM will either, in the event of a sale of the Haem Interests, pay 75% of the Proceeds from the sale, or will pay up to \$200 million in the event the business has met certain sales targets. Since it is the group's current intention to develop and commercialise its Haem Interest, management has assessed the fair value of the Class B redeemable preference shares issued by PBBM to be \$200 million (recorded at a discounted value of £68 million).

The Diagnostics Shares provide that PBBM will either, in the event of a Sale of the Diagnostics Interests, pay 75% of the Proceeds from the sale, or will pay \$20 million plus interest at 10% per annum to acquire these interests. Since it is the group's current intention to develop and commercialise its Diagnostics Interests management has assessed the fair value of the Class C redeemable preference shares issued by PBBM to be \$20 million (recorded at a discounted value of £12 million).

The revenue included in the consolidated statement of comprehensive income since 11 July 2014 contributed by the acquired subsidiaries was £5.3 million. Had the acquired subsidiaries been

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consolidated from 1 January 2014, the consolidated statement of income would show pro-forma revenue of £10.4 million.

24. RELATED PARTY TRANSACTIONS

The group is controlled by John Mayo, Michael Earl, William Henry, George Iliffe and Richard Wolf-Garraway and Beehive Capital LLP (a UK limited partnership), which together own 50.001% of the ordinary and voting share capital of Pro Bono Bio PLC. The remaining ordinary and voting share capital of the company is held by Molard International (PTC) as trustee of RNPharma. The sole beneficiary of RNPharma is Rusnano Capital a 100% subsidiary of Rusnano (a Russian state entity). John Mayo and his family interests are the controlling partners of Beehive Capital LLP.

Related party transactions – group disclosure

In addition to the related party transactions disclosed in note 23, the following transactions were carried out with related parties to Pro Bono Bio PLC and its subsidiaries.

(a) Sales of goods and services

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|--|---|---|
| Sales of services | | |
| Celtic Pharma Holdings II LP | 18 | - |
| TA Investors Limited (recharged IT costs) | 5 | - |
| S. A. Investors Limited (recharged IT costs) | 3 | - |
| Beehive Capital LLP (recharged IT costs) | - | - |
| | <u>26</u> | <u>-</u> |

TA Investors Limited and S. A. Investors Limited are entities controlled by John Mayo.

(b) Purchases of goods and services

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|---|---|---|
| Purchases of services | | |
| S. A. Investors Limited (customer and marketing support services provided at market competitive hourly rates per call centre agent) | 343 | - |
| Celtic Pharma Holdings Advisors LLP (recharged rent, rates and facilities at cost) | 79 | - |
| | <u>422</u> | <u>-</u> |

Celtic Pharma Holdings Advisors LLP is the investment advisor to Celtic Pharma Holdings II LP. John Mayo, Michael Earl, William Henry, George Iliffe and Richard Wolf-Garraway together are the controlling partners of Celtic Pharma Holdings Advisors LLP.

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(c) Year end balances arising from sales/purchases of goods/services

| | 2014 | Unaudited 2013 |
|-------------------------------------|------------|-------------------|
| | £'000 | £'000 |
| Receivables from related parties | | |
| TA Investors Limited | 6 | - |
| Celtic Pharma Holdings II LP | 18 | - |
| S.A. Investors Limited | 4 | - |
| Beehive Capital LLP | 1 | - |
| | <u>29</u> | <u>-</u> |
| Payables to related parties | | |
| S. A. Investors Limited | 139 | - |
| Celtic Pharma Holdings Advisors LLP | 31 | - |
| | <u>170</u> | <u>-</u> |

The receivables from related parties arise mainly from sale transactions and are due on demand. The receivables are unsecured in nature and bear no interest. Save as disclosed below, no provisions are held against receivables from related parties (2013: £ nil).

The payables to related parties arise mainly from purchase transactions and are due on demand. The payables bear no interest.

As a consequence of the business combination described in note 23, an amount of approximately £194,000 due from Celtic Pharma Holdings III LP and relating to its formation costs was acquired. Celtic Pharma Holdings GP III Limited is the general partner of the general partner of Celtic Pharma Holdings III LP and is together controlled by John Mayo, Michael Earl, William Henry, George Iliffe and Richard Wolf-Garraway. As part of the fair value adjustments made in connection with the aforementioned business combination the amount due from this related party was treated as fully impaired.

(d) Loans to related parties

As a consequence of the business combination described in note 23, amounts due from related parties comprising loans due from Pro Bono Bio LLC ("LLC") and Pro Bono Bio OJSC ("OJSC") which amounted to €263,000 (£204,000) were acquired. The loans were unsecured in nature and bore no interest. As part of the fair value adjustments made in connection with the aforementioned business combination the value of these loans from related parties was fully impaired.

At the time of the business combination, LLC and OJSC were legally owned by Celtic Pharma Holdings GP Limited ("GP Limited") which held these assets on trust for the group. GP Limited is the general partner of Celtic Pharma Holdings II Limited and is together controlled by John Mayo, Michael Earl, William Henry, George Iliffe and Richard Wolf-Garraway.

Management expects that legal ownership of these companies (or their assets) may be acquired by the group in due course at which time amounts due, if any, will form part of the investment costs of such acquisitions.

(e) Key management compensation

The key managers comprise the Directors of the company. Directors' remuneration is set out note 19.

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Related party transactions – parent company disclosures

The following transactions were carried out with related parties to Pro Bono Bio PLC and its subsidiaries.

(f) Sales and purchases of goods and services

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|---|---|---|
| Sales of services | | |
| PBB (Malta) Limited (management services) | 41 | - |
| Celtic Pharma Holdings II LP (recharged professional costs) | 18 | - |
| | <u>59</u> | <u>-</u> |
| Purchases of services | | |
| Pro Bono Bio Entrepreneur Limited (management services) | 30 | - |
| | <u>30</u> | <u>-</u> |

(g) Year end balances arising from sales/purchase of good/services (and also the transactions described in note 23)

| | Year ended 31 Dec 2014 £'000 | Unaudited Period ended 31 Dec 2013 £'000 |
|---|---|---|
| Receivables from related parties | | |
| Leverton Licence Holdings Limited | 1,965 | - |
| PBB (Malta) Limited | 41 | - |
| Celtic Pharma Holdings II LP | 18 | - |
| | <u>2,024</u> | <u>-</u> |
| Payables to related parties | | |
| PBB (Malta) Limited | 68,161 | - |
| Pro Bono Bio Entrepreneur Limited | 30 | - |
| | <u>68,191</u> | <u>-</u> |

Save as disclosed below, the receivables from related parties arise mainly from sale transactions and are due on demand. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2013: £ nil).

Save as disclosed below, the payables to related parties arise mainly from purchase transactions and are due on demand. The payables bear no interest.

The amounts of £68,161,000 due to PBB (Malta) Limited and £1,965,000 due from Leverton Licence Holdings Limited arose as a result of the transactions described in note 23.

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25. CONTINGENT LIABILITIES

Save as disclosed elsewhere in the financial statements, the group has no material contingent liabilities.

26. EVENTS AFTER THE REPORTING PERIOD

In February 2015 Pro Bono Entrepreneur Limited ("PBEL"), a wholly owned subsidiary, entered into a facility under which a supplier provided £3 million to support the launch of new products. The facility is unsecured and repayable out the revenues generated from sales of Flexiseq by PBEL in the UK.

27. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the company on 4 June 2015.