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Contura A/S
Sydmarken 23
2860 Søborg
Central Business Registration No
25057716

Annual report 2016

The Annual General Meeting adopted the annual report on 09.06.2017

Chairman of the General Meeting

Name: Patrick John Banks

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Entity details

Entity

Contura A/S
Sydmarken 23
2860 Søborg

Central Business Registration No: 25057716

Registered in: Gladsaxe

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Patrick John Banks, Chairman
Rakesh Chhaganlal Tailor
Lars Trolle
Debra Joy Roberts

Executive Board

Lars Trolle

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Contura A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Søborg, 09.06.2017

Executive Board



Lars Trolle

Board of Directors



Patrick John Banks
Chairman



Rakesh Chhaganlal Tailor



Lars Trolle



Debra Joy Roberts

Independent auditor's report

To the shareholders of Contura A/S

Opinion

We have audited the financial statements of Contura A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 09.06.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556



Flemming Larsen
State Authorised Public Accountant

Management commentary

Primary activities

The Company's primary activity is to be the holding company for the Contura Group and to develop and own intellectual property rights, including patents, of the Contura Group.

Development in activities and finances

Profit for the year amounts to DKK 8,898 thousand giving the Company an equity of DKK 42,771 thousand. The result for the year is considered satisfactory.

The result for the year was positively impacted by license fees from group enterprises, and income from investments in group enterprises.

On 17. May 2016 the Company's ultimate parent company Speciality European Pharma Limited was acquired by Speciality European Pharma Holdings Limited, a company formed for the purpose of the acquisition. As a result, the Company has reviewed all of its accounting policies in order that they may be brought into line with the policies of its new parent company. As a consequence of this review, the Company has changed its accounting policy for development costs from one where such costs are expensed as incurred to one where such costs are capitalized and amortized over their expected useful life. This change has been adopted retroactively.

As a result of the capitalization of development costs in 2015 and 2016, the result of the year, total assets and equity before and after capitalization are as follows:

	2016	2015
	DKK'000	DKK'000
Result for the year		
Before capitalization of development costs	3.948	6.414
Capitalization of development costs	4.950	924
Result for the year after capitalization of development costs	8.898	7.338
	2016	2015
	DKK'000	DKK'000
Total assets		
Before capitalization of development costs	78.420	74.966
Capitalization of development costs	6.697	1.747
Total assets at 31.12.2016 after capitalization of development costs	85.117	76.713
	2016	2015
	DKK'000	DKK'000
Total Equity		
Before capitalization of development costs	36.074	32.072
Retained earnings, Capitalization of development costs 2016	4.950	-
Capitalization of development costs 2015	823	823
Capitalization of development costs, pre 2015	924	924
Total Equity at 31.12.2016 after capitalization of development costs	42.771	33.819

Management commentary

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Other operating income		1.432.255	5.029
Other external expenses		<u>4.283.145</u>	<u>327</u>
Operating profit/loss		5.715.400	5.356
Income from investments in group enterprises		3.062.749	3.028
Other financial income		470.770	(1.131)
Other financial expenses	1	<u>(1.548.221)</u>	<u>(2.536)</u>
Profit/loss before tax		7.700.698	4.717
Tax on profit/loss for the year	2	<u>1.197.780</u>	<u>2.621</u>
Profit/loss for the year		8.898.478	7.338
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		3.062.749	3.028
Transferred to other statutory reserves		4.949.923	924
Retained earnings		<u>885.806</u>	<u>3.386</u>
		8.898.478	7.338

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Development projects in progress		6.697.018	1.747
Intangible assets	3	6.697.018	1.747
Investments in group enterprises		76.623.850	73.507
Fixed asset investments	4	76.623.850	73.507
Fixed assets		83.320.868	75.254
Deferred tax		0	598
Other receivables		0	296
Income tax receivable		1.796.058	565
Receivables		1.796.058	1.459
Current assets		1.796.058	1.459
Assets		85.116.926	76.713

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Contributed capital		1.010.000	1.010
Reserve for net revaluation according to the equity method		6.316.367	3.200
Reserve for development expenditure		6.697.018	1.747
Retained earnings		<u>28.747.891</u>	<u>27.862</u>
Equity		<u>42.771.276</u>	<u>33.819</u>
Trade payables		44.877	21
Payables to group enterprises		42.241.775	42.816
Other payables		<u>58.998</u>	<u>57</u>
Current liabilities other than provisions		<u>42.345.650</u>	<u>42.894</u>
Liabilities other than provisions		<u>42.345.650</u>	<u>42.894</u>
Equity and liabilities		<u>85.116.926</u>	<u>76.713</u>
Unrecognised rental and lease commitments	5		
Contingent liabilities	6		

Statement of changes in equity for 2016

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK
Equity beginning of year	1.010.000	3.199.505	1.747.095	27.862.085
Exchange rate adjustments	0	54.113	0	0
Profit/loss for the year	0	3.062.749	4.949.923	885.806
Equity end of year	1.010.000	6.316.367	6.697.018	28.747.891
				Total DKK
Equity beginning of year				33.818.685
Exchange rate adjustments				54.113
Profit/loss for the year				8.898.478
Equity end of year				42.771.276

Notes

	2016	2015
	DKK	DKK'000
1. Other financial expenses		
Financial expenses from group enterprises	1.548.221	2.536
	1.548.221	2.536
	2016	2015
	DKK	DKK'000
2. Tax on profit/loss for the year		
Tax on current year taxable income	(1.796.058)	(565)
Change in deferred tax for the year	598.278	(598)
Adjustment concerning previous years	0	(1.458)
	(1.197.780)	(2.621)

Adjustment relating to previous years comprises income from the tax credit scheme.

	Develop- ment projects in progress DKK
3. Intangible assets	
Cost beginning of year	1.747.095
Additions	4.949.923
Cost end of year	6.697.018
Carrying amount end of year	6.697.018

Development projects in progress

On 17. May 2016 the Company's ultimate parent company Speciality European Pharma Limited was acquired by Speciality European Pharma Holdings Limited, a company formed for the purpose of the acquisition. As a result, management has evaluated the company's accounting policies and determined that it will be appropriate to capitalize development costs. This will align the Company's accounting policies with those of its new ultimate parent company. The change has been adopted retroactively.

Notes

	Investment s in group enterprises DKK
4. Fixed asset investments	
Cost beginning of year	70.307.483
Cost end of year	70.307.483
Revaluations beginning of year	3.199.505
Exchange rate adjustments	54.113
Share of profit/loss for the year	3.100.228
Reversal of revaluations	(37.479)
Revaluations end of year	6.316.367
Carrying amount end of year	76.623.850

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
Contura International	Gladsaxe	A/S	100,0

5. Unrecognised rental and lease commitments

The Company has unrecognised rental commitments amounting to DKK 5,000 thousand for the period up to and including 1 June 2018.

6. Contingent liabilities

The Company has no other contingent liabilities than the ones described below.

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed entities, and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year, with the exception of capitalization of development costs.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Accounting policies

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprise.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects in progress with related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as external investments that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 year or useful life.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Accounting policies

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.