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Sanos Bioscience A/S under frivillig likvidation

Herlev Hovedgade 207 2730 Herlev Central Business Registration No 26997933

Annual report 2016

The Annual General Meeting adopted the annual report on 30.05.2017
Chairman of the General Meeting
Name: Thomas Nielsen

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Entity details

Entity

Sanos Bioscience A/S under frivillig likvidation Herlev Hovedgade 207 2730 Herlev

Central Business Registration No: 26997933

Founded: 29.12.2003 Registered in: Herlev

Financial year: 01.01.2016 - 31.12.2016

Liquidator

Thomas Nielsen, Liquidator

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 P.O. Box 1600 0900 Copenhagen C

Statement by Management on the annual report

The Liquidator has today considered and approved the annual report of Sanos Bioscience A/S under frivillig likvidation for the financial year 01.01.2016 - 31.12.2016.

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

In my 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.

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

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

Herlev, 15.05.2017

Liquidator

Thomas Nielsen Liquidator

Independent auditor's report

To the shareholder of Sanos Bioscience A/S under frivillig likvidation Opinion

We have audited the financial statements of Sanos Bioscience A/S under frivillig likvidation 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.

Material uncertainty related to going concern

Without prejudice to our conclusion, we must state that the company has lost its capital and liquidity is strained. We refer to Note 1, in which Management outlines expected development and capital resources.

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.

Independent auditor's report

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:

- 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.

Independent auditor's report

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

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, 15.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab Central Business Registration No: 33963556

Jan Larsen State Authorised Public Accountant

Management commentary

Primary activities

The Company's object is to operate within biotechnology and other related services.

The Company has been without activity during the year.

Development in activities and finances

The Company's income statement for 2016 shows a profit of DKK 385,956 while the balance sheet shows negative equity of DKK 19,862,876 at 31.12.2016.

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

	Notes	2016 DKK	2015 DKK
Research and development costs		0	(1.600.858)
Administrative costs		(29.125)	(25.624)
Other operating income		0	100.000
Operating profit/loss		(29.125)	(1.526.482)
Profit/loss before tax	_	(29.125)	(1.526.482)
Tax on profit/loss for the year	_	415.081	399.818
Profit/loss for the year	_	385.956	(1.126.664)
Proposed distribution of profit/loss			
Retained earnings	_	385.956	(1.126.664)
		385.956	(1.126.664)

Balance sheet at 31.12.2016

	<u>Notes</u>	2016 DKK	2015 DKK
Completed development projects	_	0	0
Intangible assets	2	0	0
Fixed assets			0
Receivables from group enterprises		5.347.348	4.962.548
Other receivables		4.969	1.782
Receivables		5.352.317	4.964.330
Cash		24.198	24.198
Current assets		5.376.515	4.988.528
Assets		5.376.515	4.988.528

Balance sheet at 31.12.2016

		2016	2015
	Notes	DKK	DKK
Contributed capital		2.200.000	2.200.000
Retained earnings		(22.062.876)	(22.448.832)
Equity		(19.862.876)	(20.248.832)
Payables to group enterprises		25.197.481	25.197.481
Non-current liabilities other than provisions		25.197.481	25.197.481
Trade payables		6.410	14.379
Other payables		35.500	25.500
Current liabilities other than provisions		41.910	39.879
Liabilities other than provisions		25.239.391	25.237.360
Equity and liabilities		5.376.515	4.988.528
Going concern	1		
Contingent liabilities	3		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2.200.000	(22.448.832)	(20.248.832)
Profit/loss for the year	0	385.956	385.956
Equity end of year	2.200.000	(22.062.876)	(19.862.876)

Notes

1. Going concern

The Company is without real operating activities and will not resume the development of SAN 134.

The Company has received a convertible loan from shareholders, which can be converted into share capital. The shareholders have currently not decided whether they will convert the loan in 2017.

The Parent has announced its intention to support the operation of the Company for 2017 for which reason the financial statements have been prepared on the assumption that the Company is a going concern.

	Completed
	develop-
	ment
	projects
	DKK_
2. Intangible assets	
Cost beginning of year	8.004.289
Disposals	(8.004.289)
Cost end of year	0
Amortisation and impairment losses beginning of year	(8.004.289)
Reversal regarding disposals	8.004.289
Amortisation and impairment losses end of year	0
Carrying amount end of year	0

3. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Nordic Bioscience Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 01.07.2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

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 enterprises.

The accounting policies applied to these financial statements are consistent with those applied last year.

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.

Income statement

Research and development costs

Research and development costs are recognised as incurred. However, development costs are capitalised for development projects which are deemed to meet the conditions of an intangible asset.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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.

Accounting policies

The Entity is jointly taxed with the Parent and all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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 which is reduced as the development projects are amortised and written down.

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

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

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 ten years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation period used is five years.

Receivables

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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