

Burnblock Holding ApS

Wilders Plads 8A, 1403 København K

CVR no. 33 58 10 76



Annual report 2015

Approved at the annual general meeting of shareholders on 31 May 2016

Chairman:

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Jan Sørensen



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Operating review	6
Financial statements for the period 1 January - 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10



Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Burnblock Holding ApS for the financial year 1 January - 31 December 2015.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.


Copenhagen, 31 May 2016
Executive Board:



Jan Sørensen

Board of Directors:



Henrik Lyngbye Pedersen
Chairman

Jan Sørensen

John Engqvist Griem



Independent auditors' report

To the shareholders of Burnblock Holding ApS

Independent auditors' report on the financial statements

We have audited the financial statements of Burnblock Holding ApS for the financial year 1 January - 31 December 2015, which comprise an 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.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Emphasis of matter regarding matters in the financial statements

Without modifying our opinion, we draw attention to the fact that the Company has lost more than half of the share capital and that there is uncertainty as to the Company's ability to continue as a going concern. We refer to note 2 to the financial statements in which Management gives an account of the matter.



Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 31 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

A handwritten signature in black ink, appearing to read 'Peter Gath', is written over a horizontal line.

Peter Gath
State Authorised Public Accountant



Management's review

Company details

Name	Burnblock Holding ApS
Address, Postal code, City	Wilders Plads 8A, 1403 København K
CVR No.	33 58 10 76
Established	10 February 2011
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.burnblock.com
E-mail	info@burnblock.com
Telephone	+45 70 23 20 53
Board of Directors	Henrik Lyngbye Pedersen, Chairman Jan Sørensen John Engqvist Griem
Executive Board	Jan Sørensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark



Management's review

Operating review

The Company's business review

The Company's business objectives comprise holding shares in other companies and related activities.

Financial review

The Company holds shares in Burnblock ApS, Burnblock Inc. and JGS 10. september 2010 ApS corresponding to an ownership interest of 100%.

The loss for the year amounted to DKK 3,888 thousand and is considered unsatisfactory.

The Company has increased its share capital by nominal DKK 20 thousand by a non-cash contribution of shares in Burnblock ApS. After this transaction, Burnblock ApS is wholly-owned by the Company. The Company's equity amounted to DKK -32,409 thousand. The Company has lost more than half of the share capital and is subject to the provisions on re-establishment of the share capital under the Danish Companies Act.

Management expects that the share capital will be re-established through the coming years' operating results.

Moreover, the Company has completed its discussions with Bregnerød Investeringsselskab ApS and has obtained a commitment for the necessary financing of the operations up to and including 31 December 2016. In 2016, the financing and equity base will be sufficient for the Company to meet its liabilities for a period of at least 12 months after the preparation of the annual report.

Outlook

The Company expects improved results for 2016.



Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Other external expenses	<u>-981,072</u>	<u>-1,092,675</u>
	Loss	-981,072	-1,092,675
	Income from investments in group entities	-1,493,278	-5,825,303
3	Financial income	106,488	79,954
4	Financial expenses	<u>-1,575,946</u>	<u>-1,447,874</u>
	Profit/loss before tax	-3,943,808	-8,285,898
5	Tax for the year	56,245	0
	Profit/loss for the year	<u>-3,887,563</u>	<u>-8,285,898</u>
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	<u>-3,887,563</u>	<u>-8,285,898</u>
		<u>-3,887,563</u>	<u>-8,285,898</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	ASSETS		
	Non-current assets		
6	Investments		
	Investments in group entities, net asset value	996,860	0
	Receivables from group entities	1,072,106	1,147,594
		<u>2,068,966</u>	<u>1,147,594</u>
	Total non-current assets	<u>2,068,966</u>	<u>1,147,594</u>
	Current assets		
	Receivables		
	Other receivables	175,642	55,231
		<u>175,642</u>	<u>55,231</u>
	Cash	<u>3,394</u>	<u>29,269</u>
	Total current assets	<u>179,036</u>	<u>84,500</u>
	TOTAL ASSETS	<u>2,248,002</u>	<u>1,232,094</u>
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	100,000	80,000
	Retained earnings	-32,509,028	-30,601,465
	Total equity	<u>-32,409,028</u>	<u>-30,521,465</u>
	Liabilities		
8	Non-current liabilities other than provisions		
	Payables to group entities	29,525,112	27,241,310
	Payables to shareholders and Management	4,496,975	4,282,833
		<u>34,022,087</u>	<u>31,524,143</u>
	Current liabilities other than provisions		
	Trade payables	634,943	229,416
		<u>634,943</u>	<u>229,416</u>
	Total liabilities other than provisions	<u>34,657,030</u>	<u>31,753,559</u>
	TOTAL EQUITY AND LIABILITIES	<u>2,248,002</u>	<u>1,232,094</u>

- 1 Accounting policies
- 2 Material uncertainties regarding going concern
- 9 Collateral
- 10 Related parties



Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2015	80,000	-30,601,465	-30,521,465
Capital increase	20,000	1,980,000	2,000,000
Profit/loss for the year	0	-3,887,563	-3,887,563
Equity at 31 December 2015	100,000	-32,509,028	-32,409,028

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Burnblock Holding ApS for 2015 has been presented in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies applied by the Company are consistent with those of last year.

Recognition and measurement in general

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate last year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Income statement

Other external expenses

Other external costs comprise costs for patent protection, auditors, attorneys, etc.

Income from investments in group entities

Income from investments in group entities comprise dividends from group entities and additions/reversal on impairments in investments in subsidiaries.

Dividend from investments in subsidiaries is recognised in the income statement in the financial year when the dividend is declared.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the on-account tax scheme, etc.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Balance sheet

Investments in group entities

Investments in subsidiaries are initially recognised at costs and subsequently measured using the equity method at the parent company's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a loss on equity, if any, is set off against receivables from the investment if the loss is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' if the parent company has a legal or constructive obligation to cover the loss.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Cash at hand and in bank

Cash at hand and in bank comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases.

Other liabilities are measured at net realisable value.

2 Material uncertainties regarding going concern

The Company has lost more than half of the share capital and is, therefore, subject to the provisions on capital loss under the Danish Companies Act.

The Company has completed its discussions with Bregnerød Investeringsselskab ApS and has obtained a commitment for the necessary financing of operations up to and including 31 December 2016.

DKK	2015	2014
3 Financial income		
Interest receivables, group entities	106,488	79,954
	<u>106,488</u>	<u>79,954</u>
4 Financial expenses		
Interest expenses, group entities	1,575,946	1,447,747
Other financial expenses	0	127
	<u>1,575,946</u>	<u>1,447,874</u>
5 Tax for the year		
Estimated tax charge for the year	-56,245	0
	<u>-56,245</u>	<u>0</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Investments

DKK	Investments in group entities, net asset value	Receivables from group entities	Liabilities
Cost at 1 January 2015	20,944,360	4,007,812	24,952,172
Additions in the year	5,280,341	414,649	5,694,990
Disposals in the year	0	-3,280,341	-3,280,341
Cost at 31 December 2015	26,224,701	1,142,120	27,366,821
Value adjustments at 1 January 2015	-20,944,360	-2,860,218	-23,804,578
Share of the profit/loss for the year	688,308	0	688,308
Impairment losses	-4,971,789	-18,246	-4,990,035
Reversal of prior year impairment losses	0	2,808,450	2,808,450
Value adjustments at 31 December 2015	-25,227,841	-70,014	-25,297,855
Carrying amount at 31 December 2015	996,860	1,072,106	2,068,966

DKK	Domicile	Interest	Equity	Profit/loss
Subsidiaries				
Burnblock ApS	Denmark	100.00 %	996,860	688,308
Burnblock Inc.,	USA	100.00 %	0	0
JGS 10. september 2010 ApS	Denmark	100.00 %	-65,751	-4,690

DKK	2015	2014
7 Share capital		
The share capital consists of the following:		
100,000 shares of DKK 1.00 each	100,000	80,000
	100,000	80,000

Analysis of changes in the share capital over the past 5 years:

DKK	2015	2014	2013	2012	2011
Opening balance	80,000	80,000	80,000	80,000	80,000
Capital increase	20,000	0	0	0	0
	100,000	80,000	80,000	80,000	80,000

In connection with the formation/capital increase, the Company incurred expenses totalling DKK 0.

8 Long-term liabilities

Of the long-term liabilities, DKK 0 falls due for payment after more than five years after the balance sheet date.

9 Collateral

The Company's interests in Burnblock ApS and Burnblock Inc., at a carrying amount of DKK 997 thousand at 31 December 2015, have been provided as collateral for debt to Bregnerød Investeringselskab ApS totalling DKK 29,525 thousand.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Related parties

Burnblock Holding ApS' related parties comprise the following:

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
Bregnerød Investeringselskab ApS	Denmark, Copenhagen
John Griem Holding ApS	Denmark, Copenhagen