

BLOXHUB

Annual Report 2016

Foreningen Bloxhub

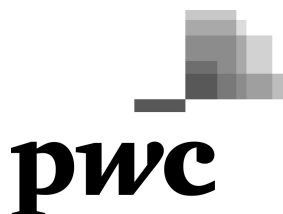
c/o Fæstningens Materialgård, Frederiksholms
Kanal 30, DK-1220 Copenhagen K

Annual Report for 3 June - 31 December 2016

CVR No 37 78 55 39

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Federation
on 5 /5 2017

Bruno Månsson
Chairman



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Federation Information	
Federation Information	5
Management's Review	6
Financial Statements	
Income Statement 3 June - 31 December	11
Balance Sheet 31 December	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14
Notes, Accounting Policies	15

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Foreningen Bloxhub for the financial year 3 June - 31 December 2016.

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 financial position at 31 December 2016 of the Federation and of the results of the Federation operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 5 May 2017

Executive Board

Torben Klitgaard
Executive Officer

Board of Directors

Lars-Peter Søbye
Chairman

Jørgen Bardenfleth
Deputy Chairman

Anne Skovbro

Bruce Kratz

Flemming Borreskov

Thorkild Ærø

Michael Kragh Rasmussen

Søren Tegen Pedersen

Jens Lundsgaard

Independent Auditor's Report

To the Board of Directors of Foreningen Bloxhub

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Federation at 31 December 2016 and of the results of the Federation's operations for the financial year 3 June - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Foreningen Bloxhub for the financial year 3 June - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Federation in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

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 misstate-

Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Federation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Federation 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:

- 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 Federation'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 Federation'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 Federation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

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.

Hellerup, 5 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Claus Christensen
State Authorised Public Accountant

Morten Wilhelmsen
State Authorised Public Accountant

Federation Information

The Federation

Foreningen Bloxhub
c/o Fæstningens Materialgård
Frederiksholms Kanal 30
DK-1220 Copenhagen K
Website: www.bloxhub.org

CVR No: 37 78 55 39
Financial period: 3 June - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Lars-Peter Søbye, Chairman
Jørgen Bardenfleth
Anne Skovbro
Bruce Kratz
Flemming Borreskov
Thorkild Ærø
Michael Kragh Rasmussen
Søren Tegen Pedersen
Jens Lundsgaard

Executive Board

Torben Klitgaard

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Intro

Blohub is a non profit organization – a co-working space and a community for Danish and international innovative companies, research institutions and other participants aiming to work in the interface between architecture, design, building and urban development. Tech companies specializing in big data and modern advanced digital solutions will join and work together with them.

Blohub was founded on June 3rd 2016 by Realdania, the City of Copenhagen and the Ministry of Industry, Business and Financial Affairs.

By the end of 2016, the Blohub community had grown to nearly 100 members.

Aligning mission, strategy and action

Blohub's mission is to contribute to sustainable urbanization globally by bridging architecture, design, construction, urban planning and digitalization. Solutions aim to create growth, new businesses and increased exports.

The strategy is threefold – Blohub is CONNECTING, SHARING and SCALING;

CONNECTING – because Blohub is the interface for cross-disciplinary innovation within sustainable urbanization.

SHARING – because Blohub is facilitating knowledge-sharing and communication on a national and international scale crossing business and research.

SCALING – because Blohub supports members' opportunities to scale global sales potential into commercial results.

Main focus areas

For Blohub sustainable urbanisation is about 8 key themes;

Key drivers such as:

- Livability
- Urban resilience
- Urban mobility
- Sustainable buildings

Key enablers such as:

- Digitalization
- Design DNA
- Sharing & circular economy

Management's Review

Key frameworks such as:

- Urban governance & finance

Bloxhub targets stakeholders, both public and private, businesses and research within these 8 key themes and brand and market the hub to attract new members and residents to join the community.

Main activity

Thus, all events and activities are rooted in the 8 key themes. In 2016 the core value proposition has been creating events and innovation programmes:

Reg. CONNECTING:

- Launch of Match – a B2B service working as a single entry point to counselling, network and resources for companies that wish to scale up their solutions to the Danish and international markets. This permanent service matches the users with new partners, mentors or sources of financing. Match was launched on October 13. and has subsequently been used by more than 40 companies and organizations.
- 1:1 Meetings with potential members and tenants as well as partners and other stakeholders.

Reg. SHARING:

- Launch of events:
 - o The Bloxhub launch on June 3. with 400 participants and prominent speakers from the founding fathers
 - o Bloxhub Mornings – four open morning events with different topics, organized in cooperation with other residents at Fæstningens Materialgård
 - o The conference “Urbanization & Exports” organized in cooperation with Realdania and the Ministry of Foreign Affairs
 - o A pitch session with Bruce Katz for members only
- Launch of Science Forum, a new network for industrial PhDs, fellows and postdocs working within architecture, design, construction and digitalization. The purpose of the network is to bridge the newest research across science institutions with leading Danish businesses. More than 100 PhDs and their mentors have been invited to join the network.

Reg. SCALING:

- Launching Buildtech Accelerator Program – a 3 months accelerator program for start-ups with tech at their core and a focus on urban environment. The program had 50 applicants and 5 start-ups were selected. The program was developed to accelerate through sessions with experts and mentors, including industry access. The mentor corps enrolled 80 members.

Management's Review

In addition during 2016, the focus has been on establishing the overall strategic framework, the governance structure and administrative running of the federation.

This has included:

- Developing an overall strategy to support Bloxhub's mission
- Establishing the organisation with a secretariat and a Board of Directors
- Establishing the formalities of the federation (procedures & registrations)
- Establishing of administrative routines (IT, bookkeeping, audit etc.)
- Establishing of communicative routines, including a website (bloxhub.org) and a newsletter

A final important activity has been the preparation of the rental of BLOX and Fæstningens Materialgård in 2018, including the preparation of lease contracts, interior décor, rental model and service model.

Economy

Bloxhub's economy is generally based on:

1. Rental income (from 2018)
2. Funding from Realdania
3. Membership fees (from 2017)

1. Rental income:

Rental income from the lease of offices and desks at BLOX and Fæstningens Materialgård will be the main income from 2018 onwards. The rental model includes the lease of private offices as well as dedicated desks and hot desks in a shared space. Also, there will be a members' lounge open for all members as well as meeting rooms.

As a non profit organisation, Bloxhub aims for a cost neutral business model. Thus, the rental will generally be priced to make the income match the costs. However, in order to secure the intended mix of tenants, small start-up companies and research institutions will be offered a reduced rent. This reduction is possible thanks to a running grant from Realdania.

2. Funding from Realdania:

In 2016 Realdania awarded a grant of DKK 10 mio. for the establishing of Bloxhub. In addition to this, Realdania supported Bloxhub's accelerator program with DKK 5 mio. (unused funding from a previous Realdania grant to Innovation in Construction).

Realdania has also granted 10 mio. for the establishing of the hub in 2017. After this establishing period, Realdania has promised a grant of DKK 130 mio. over 10 years from 2018-2027 to support the operation of Bloxhub, including reduced rent.

Management's Review

Moreover, Realdania By & Byg A/S has granted DKK 30 mio. in 2017-2018 for the interior decoration and furnishing of BLOX and Fæstningens Materialgård.

3. Membership fees:

Bloxhub has a simple membership model and a relatively low member fee in order to attract different types of members. Thus, the membership incomes will only be a limited contribution to the results compared to the rental incomes and the funding.

The above three basic types of income may in the long run be supplemented with user fees from events as well as funding from other sources.

Development in the year

At the beginning of 2016, Bloxhub functioned as an internal project in Realdania. By June 3rd, Bloxhub was established as an independent Federation. However, economically Bloxhub still functioned as an entity in Realdania throughout 2016. By January 1st 2017, Bloxhub was separated from Realdania and now functions as a fully independent economical entity.

While functioning as an internal project in Realdania from January 1st - June 3rd, BLOXHUB spent DKK 4,048,218 on establishing activities (see table below).

After the foundation, BLOXHUB spent DKK 9,652,915 on the operation of the Federation from June - December. At December 31, 2016, the balance sheet of the Federation shows an equity of DKK 1,298,867. This profit is transferred to retained earnings.

Funding from Realdania	DKK 15,000,000
Pre-operation January 1 – June 3 2016	DKK 4,048,218
Operation June 3 – December 31 2016	DKK 9,652,915
Retained earnings	DKK 1,298,867

The management considers the result for 2016 as satisfactory and in line with the expectations for the startup year.

Management's Review

Targets and expectations for the year ahead

The Bloxhub community is expected to increase further during 2017 and meet the KPI of at least 125 members by the end of the year.

The member activities during 2017 will focus on establishing a new accelerator programme, UrbanTech Accelerator, as well as the further implementation of Match and Science Forum. Furthermore pitch sessions, debates, conferences, workshops and surveys will be created.

Bloxhub will take over the rental of BLOX and Fæstningens Materialgård by the beginning of 2018. BLOX is expected to open for tenants in April 2018. Fæstningens Materialgård is already open for tenants, but is run through another operator until April 2018.

Thus, a key activity during 2017 will be the preparation of BLOX and Fæstningens Materialgård for rental in 2018. This preparation phase includes the planning and implementation of the interior decoration and furnishing of BLOX as well as Fæstningens Materialgård. Also, the preparation phase includes contracting with the coming tenants.

The budget for 2017 is DKK 12 mio., comprising of:

- 10 mio. DKK funding from Realdania
- 0.7 mio. DKK from membership fees
- 1.3 mio. DKK 2016 profit transferred

In addition to this, there is the grant from Realdania By & Byg A/S earmarked the interior decorations and furnishing of BLOX and Fæstningens Materialgård. This budget is DKK 6.6 mio. in 2017.

As a non profit organization, Bloxhub does not aim to make a profit besides a small buffer to secure the future operation.

The primary risk during 2017 will be the preparation for the rental of BLOX and Fæstningens Materialgård in 2018, i.e. the costs of the interior decoration and furnishing as well as unforeseen establishing costs.

The primary risk in 2018 will be the rental of the offices and desks in BLOX and Fæstningens Materialgård.

Income Statement 3 June - 31 December

	<u>Note</u>	<u>2016</u> DKK
Revenue		10,951,782
Other external expenses		-8,287,976
Gross profit/loss		2,663,806
Staff expenses	2	-1,354,114
Depreciation of property, plant and equipment		-10,025
Profit/loss before financial income and expenses		1,299,667
Financial expenses		-800
Profit/loss before tax		1,298,867
Tax on profit/loss for the year		0
Net profit/loss for the year		1,298,867

Distribution of profit

Proposed distribution of profit

Retained earnings	1,298,867
	1,298,867

Balance Sheet 31 December

	<u>Note</u>	<u>2016</u> DKK
Assets		
Leasehold improvements		140,350
Property, plant and equipment	1	<u>140,350</u>
Fixed assets		<u>140,350</u>
Other receivables		1,895,337
Receivables		<u>1,895,337</u>
Currents assets		<u>1,895,337</u>
Assets		<u>2,035,687</u>
Liabilities and equity		
Retained earnings		1,298,867
Equity		<u>1,298,867</u>
Trade payables		534,958
Other payables		201,862
Short-term debt		<u>736,820</u>
Debt		<u>736,820</u>
Liabilities and equity		<u>2,035,687</u>
Contingent assets, liabilities and other financial obligations	3	
Subsequent events	4	

Statement of Changes in Equity

	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 3 June	0	0
Net profit/loss for the year	<u>1,298,867</u>	<u>1,298,867</u>
Equity at 31 December	<u>1,298,867</u>	<u>1,298,867</u>

Notes to the Financial Statements

1 Property, plant and equipment

	Leasehold improvements DKK
Cost at 3 June	0
Additions for the year	150,375
Cost at 31 December	<u>150,375</u>
Impairment losses and depreciation at 3 June	0
Depreciation for the year	10,025
Impairment losses and depreciation at 31 December	<u>10,025</u>
Carrying amount at 31 December	<u>140,350</u>

2016
DKK

2 Staff expenses

Wages and salaries	1,338,527
Other social security expenses	2,967
Other staff expenses	12,620
	<u>1,354,114</u>
Average number of employees	<u>2</u>

3 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	<u>50,340</u>
	<u>50,340</u>

4 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Foreningen Bloxhub for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Financial Statements for 2016 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Federation, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales. Revenue comprises grants received, rental income etc.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes, Accounting Policies

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Extraordinary income and expenses

Extraordinary income and expenses comprise income and expenses resulting from events or transactions which clearly differ from ordinary activities and which are not expected to be of a recurring nature.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Leasehold improvements	5 years
------------------------	---------

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes, Accounting Policies

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.