

Burnblock ApS

Wilders Plads 8A, 1403 København K

CVR no. 33 58 11 73



Annual report 2015

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

Chairman:



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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 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:


.....
Hroar Bay Smidt

Board of Directors:


.....
Henrik Lyngbye Pedersen
Chairman
.....
Jan Sørensen
.....
John Engqvist Griem



Independent auditors' report

To the shareholder of Burnblock ApS

Independent auditors' report on the financial statements

We have audited the financial statements of Burnblock 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. 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', written in a cursive style.

Peter Gath
State Authorised Public Accountant



Management's review

Company details

Name	Burnblock ApS
Address, Postal code, City	Wilders Plads 8A, 1403 København K
CVR No.	33 58 11 73
Established	10 February 2011
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	Hroar Bay-Smidt
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 has developed and markets a unique sustainable, economic and industrially adapted solution for effective fireproofing and firefighting - based on targeted research, systematic documentation and continuous innovation.

Financial review

As mentioned in the previous annual reports, all required primary certifications have now been obtained.

Contrary to information in the previous annual reports, there will continuously be a demand for further certifications, which will grow the potential business. The certifications achieved so far give however a strong foothold for a turnover.

The profit for the year amounted to DKK 688 thousand and is considered unsatisfactory, although the results, once again, have improved significantly compared to last year, where the Company realised a loss of DKK 3,511 thousand.

The Company's equity amounts to DKK 997 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.

As part of the strengthening of equity and financing, the Company's ultimate owner Burnblock Holding ApS made a total debt conversion of DKK 3,280 thousand during the year.

Moreover, the Company has completed its discussions with the parent company, Burnblock Holding ApS, on the financing required to cover the Company's liabilities up to and including 31 December 2016.

Post balance sheet events

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

Management expects that activities will increase significantly in 2016, and that the Company will realise a 0-result (profit before tax). The level of the result is due to an increased number of employees and a significant investment in tests and certificates that will generate increase in turnover in the years to come.



Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Gross profit/loss	2,059,987	-758,629
3	Staff costs	-2,382,815	-2,640,471
	Depreciation and impairment of property, plant and equipment	-37,500	-18,750
	Operating profit/loss	-360,328	-3,417,850
	Financial income	3	94
4	Financial expenses	-153,938	-92,807
	Profit/loss before tax	-514,263	-3,510,563
5	Tax for the year	1,202,571	0
	Profit/loss for the year	688,308	-3,510,563
	 Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	688,308	-3,510,563
		688,308	-3,510,563



Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2015</u>	<u>2014</u>
	ASSETS		
	Non-current assets		
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	131,250	168,750
		<u>131,250</u>	<u>168,750</u>
	Total non-current assets	<u>131,250</u>	<u>168,750</u>
	Current assets		
	Inventories		
	Finished goods and goods for resale	886,924	761,748
		<u>886,924</u>	<u>761,748</u>
	Receivables		
	Trade receivables	1,811,797	654,694
	Other receivables	638,531	359,411
		<u>2,450,328</u>	<u>1,014,105</u>
	Cash	183,832	480,717
	Total current assets	<u>3,521,084</u>	<u>2,256,570</u>
	TOTAL ASSETS	<u>3,652,334</u>	<u>2,425,320</u>



Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
		<u> </u>	<u> </u>
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	10,000,000	10,000,000
	Retained earnings	-9,003,140	-12,971,789
	Total equity	<u>996,860</u>	<u>-2,971,789</u>
	Liabilities other than provisions		
8	Non-current liabilities other than provisions		
	Payables to group entities	1,072,106	3,945,604
		<u>1,072,106</u>	<u>3,945,604</u>
	Current liabilities other than provisions		
	Trade payables	648,314	821,303
	Other payables	935,054	630,202
		<u>1,583,368</u>	<u>1,451,505</u>
	Total liabilities other than provisions	<u>2,655,474</u>	<u>5,397,109</u>
	TOTAL EQUITY AND LIABILITIES	<u>3,652,334</u>	<u>2,425,320</u>

- 1 Accounting policies
- 2 Material uncertainties regarding going concern
- 9 Contractual obligations and contingencies, etc.
- 10 Related parties



Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2014	10,000,000	-22,390,401	-12,390,401
Capital increase	0	12,929,175	12,929,175
Profit/loss for the year	0	-3,510,563	-3,510,563
Equity at 1 January 2015	10,000,000	-12,971,789	-2,971,789
Capital increase	0	3,280,341	3,280,341
Profit/loss for the year	0	688,308	688,308
Equity at 31 December 2015	10,000,000	-9,003,140	996,860

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Burnblock 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 gain, 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.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit/loss'.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Depreciation and impairment of property, plant and equipment

The item comprises depreciation and impairment of property, plant and equipment.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
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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.

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 Company 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.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

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.

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. 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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

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 the parent company, Burnblock Holding ApS, on the financing required to cover the Company's liabilities up to and including 31 December 2016. On this basis, the financial statements have been prepared under the going concern assumption.

DKK	2015	2014
3 Staff costs		
Wages/salaries	2,124,985	2,413,803
Pensions	113,490	119,263
Other social security costs	35,512	41,813
Other staff costs	108,828	65,592
	<u>2,382,815</u>	<u>2,640,471</u>
4 Financial expenses		
Interest expenses, group entities	127,664	79,954
Other financial expenses	26,274	12,853
	<u>153,938</u>	<u>92,807</u>
5 Tax for the year		
Tax adjustments, prior years	-1,202,571	0
	<u>-1,202,571</u>	<u>0</u>
6 Property, plant and equipment		
DKK		Other fixtures and fittings, tools and equipment
Cost at 1 January 2015		<u>187,500</u>
Cost at 31 December 2015		<u>187,500</u>
Impairment losses and depreciation at 1 January 2015		18,750
Amortisation/depreciation in the year		37,500
Impairment losses and depreciation at 31 December 2015		<u>56,250</u>
Carrying amount at 31 December 2015		<u>131,250</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Share capital

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

DKK	2015	2014	2013	2012	2011
Opening balance	10,000,000	10,000,000	80,000	80,000	80,000
Capital increase	0	0	10,000,000	0	0
Capital reduction	0	0	-80,000	0	0
	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>80,000</u>	<u>80,000</u>

In connection with the 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 Contractual obligations and contingencies, etc.

Other financial obligations

At 31 December 2015, the rent obligation amounted to DKK 645 thousand (2014: DKK 124 thousand). The increase in 2015 is due to new office facilities.

10 Related parties

Burnblock 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:

Name	Domicile
Burnblock Holding ApS	Wilders Plads 8A, 1. 1403 Copenhagen, Denmark