

Burnblock ApS

Wilders Plads 8A, 1403 København K

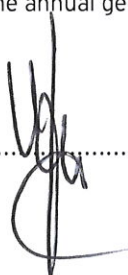
CVR no. 33 58 11 73



Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Burnblock ApS for the financial year 1 January - 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 of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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

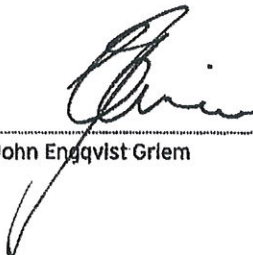
We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 31 May 2017

Executive Board:


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Hroar Bay-Smidt

Board of Directors:


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Henrik Lyngbye Pedersen
Chairman
.....
Jan Svendsen
.....
John Engqvist Grem

Independent auditor's report

To the shareholder of Burnblock ApS

Opinion

We have audited the financial statements of Burnblock ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 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 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 Company 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter 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.

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 Company'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 Company 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 the 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 skepticism 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.

Independent auditor's report

- ▶ 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 Company'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 Company'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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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 Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



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 Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Management commentary

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

There will continuously be a demand for further certifications, which will grow the potential business. However, the certifications achieved so far give a strong foothold for a turnover.

The loss for the year amounted to DKK 5,512 thousand and is considered unsatisfactory although the loss can be explained by extraordinary circumstances.

The Company's equity amounts to DKK 2,134 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 6,649 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 2017.

Events after the balance sheet date

In 2017, 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 in 2017, 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	<u>2016</u>	<u>2015</u>
	Gross margin	-1,406,330	2,059,987
3	Staff costs	-3,951,346	-2,382,815
	Depreciation and impairment of property, plant and equipment	-37,500	-37,500
	Loss before net financials	-5,395,176	-360,328
	Financial income	0	3
4	Financial expenses	-116,648	-153,938
	Loss before tax	-5,511,824	-514,263
5	Tax for the year	0	1,202,571
	Profit/loss for the year	-5,511,824	688,308
	 Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	<u>-5,511,824</u>	<u>688,308</u>
		<u>-5,511,824</u>	<u>688,308</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	114,117	131,250
		<u>114,117</u>	<u>131,250</u>
	Total fixed assets	<u>114,117</u>	<u>131,250</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	390,443	886,924
		<u>390,443</u>	<u>886,924</u>
	Receivables		
	Trade receivables	626,237	1,811,797
	Other receivables	781,132	638,531
		<u>1,407,369</u>	<u>2,450,328</u>
	Cash	<u>1,382,472</u>	<u>183,832</u>
	Total non-fixed assets	<u>3,180,284</u>	<u>3,521,084</u>
	TOTAL ASSETS	<u><u>3,294,401</u></u>	<u><u>3,652,334</u></u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	10,000,000	10,000,000
	Retained earnings	-7,865,792	-9,003,140
	Total equity	<u>2,134,208</u>	<u>996,860</u>
	Liabilities		
	Non-current liabilities other than provisions		
	Payables to group entities	0	1,072,106
		<u>0</u>	<u>1,072,106</u>
	Current liabilities		
	Trade payables	484,093	648,314
	Other payables	676,100	935,054
		<u>1,160,193</u>	<u>1,583,368</u>
	Total liabilities other than provisions	<u>1,160,193</u>	<u>2,655,474</u>
	TOTAL EQUITY AND LIABILITIES	<u>3,294,401</u>	<u>3,652,334</u>

- 1 Accounting policies
- 2 Capital and financing
- 8 Contractual obligations and contingencies, etc.
- 9 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 2015	10,000,000	-12,971,789	-2,971,789
Debt conversion	0	3,280,341	3,280,341
Transfer, see "Appropriation of profit"	0	688,308	688,308
Equity at 1 January 2016	10,000,000	-9,003,140	996,860
Debt conversion	0	6,649,172	6,649,172
Transfer, see "Appropriation of loss"	0	-5,511,824	-5,511,824
Equity at 31 December 2016	10,000,000	-7,865,792	2,134,208

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Burnblock ApS for 2016 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.

Basis of recognition and measurement

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 rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and 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 rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent 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 margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

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 pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation 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 of the assets 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.

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 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 entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

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.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

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

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base 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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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. On subsequent recognition, 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 lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

2 Capital and financing

The Company has lost more than half of the share capital and is, therefore, subject to the provisions applying to 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 2017. On this basis, the financial statements have been prepared under the going concern assumption.

DKK	2016	2015
3 Staff costs		
Wages/salaries	3,466,287	2,124,985
Pensions	296,927	113,490
Other social security costs	50,240	35,512
Other staff costs	137,892	108,828
	<u>3,951,346</u>	<u>2,382,815</u>
Average number of full-time employees	<u>6</u>	<u>4</u>
4 Financial expenses		
Interest expenses, group entities	64,190	127,664
Other financial expenses	52,458	26,274
	<u>116,648</u>	<u>153,938</u>
5 Tax for the year		
Tax adjustments, prior years	<u>0</u>	<u>-1,202,571</u>
	<u>0</u>	<u>-1,202,571</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2016	187,500
Additions in the year	20,367
Cost at 31 December 2016	<u>207,867</u>
Impairment losses and depreciation at 1 January 2016	56,250
Amortisation/depreciation in the year	37,500
Impairment losses and depreciation at 31 December 2016	<u>93,750</u>
Carrying amount at 31 December 2016	<u>114,117</u>

7 Share capital

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

DKK	2016	2015	2014	2013	2012
Opening balance	10,000,000	10,000,000	10,000,000	80,000	80,000
Capital increase	0	0	0	10,000,000	0
Capital reduction	0	0	0	-80,000	0
	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>80,000</u>

8 Contractual obligations and contingencies, etc.

Other financial obligations

At 31 December 2016, the rent obligation amounted to DKK 404 thousand (2015: DKK 645 thousand).

9 Related parties

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