

Burnblock ApS

Wilders Plads 15C, 1403 København K

CVR no. 33 58 11 73

Annual report 2019

Approved at the Company's annual general meeting on 26 May 2020

Chairman:

.....
Jan Sørensen





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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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, 26 May 2020
Executive Board:

.....
Hroar Bay-Smidt

Board of Directors:

.....
Henrik Lyngbye Pedersen
Chairman

.....
Jan Sørensen

.....
Hroar Bay-Smidt

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 2019, which comprise 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 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.

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 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 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 the 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 the work we have performed, 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, 26 May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath
State Authorised Public Accountant
mne19718

Morten Weinreich Larsen
State Authorised Public Accountant
mne42791



Management's review

Company details

Name	Burnblock ApS
Address, Postal code, City	Wilders Plads 15C, 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 Hroar Bay-Smidt
Executive Board	Hroar Bay-Smidt
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

The Company has developed and markets a unique sustainable, natural, non-toxic, 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 1,038 thousand and is - despite of the company's focus on development of new solutions - considered unsatisfactory.

The Company's equity amounts to DKK -2,616 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.

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 2020.

In 2020, 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.

Events after the balance sheet date

The outbreak in 2020 of COVID-19 has resulted in a temporary reduction in activity in the company from March to (so far) May. For March and April a reduction compared to budget of 40% in turnover was realised.

At this point in time it is not possible to assess the full economic effect of COVID-19. Firstly, it is expected that the effect will vary across markets. Secondly, travel ban is still limiting Burnblock's international activities. Thirdly, new turnover generating activities will for sure be postponed with an uncertain number of months. Burnblock expects to come back to planned activity level during autumn and has therefore also chosen to maintain the full workforce.

The outbreak is considered a subsequent event, which does not have effect on the company's result or financial position at 31 December 2019.

Outlook

Management expects that activities will increase in 2020, and that the Company will realise a positive profit before tax.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Gross profit	3,361,134	2,333,783
4	Staff costs	-4,275,997	-4,380,466
	Depreciation and impairment of property, plant and equipment	-25,962	-43,928
	Profit/ loss before net financials	-940,825	-2,090,611
5	Financial expenses	-97,342	-58,655
	Profit/ loss before tax	-1,038,167	-2,149,266
6	Tax for the year	0	123,880
	Profit/ loss for the year	-1,038,167	-2,025,386
	 Recommended appropriation of profit/ loss		
	Retained earnings/ accumulated loss	-1,038,167	-2,025,386
		-1,038,167	-2,025,386

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	18,348	44,310
		18,348	44,310
	Total fixed assets	18,348	44,310
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	124,200	0
		124,200	0
	Receivables		
	Trade receivables	1,137,424	845,733
	Receivables from group entities	0	9,474
	Other receivables	220,032	259,819
		1,357,456	1,115,026
	Cash	461,737	286,631
	Total non-fixed assets	1,943,393	1,401,657
	TOTAL ASSETS	1,961,741	1,445,967

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	10,000,000	10,000,000
	Retained earnings	-12,616,441	-11,578,274
	Total equity	-2,616,441	-1,578,274
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	170,675	0
		170,675	0
	Current liabilities other than provisions		
	Prepayments received from customers	60,694	0
	Trade payables	804,168	1,021,983
	Payables to group entities	2,893,870	1,239,190
	Other payables	648,775	763,068
		4,407,507	3,024,241
	Total liabilities other than provisions	4,578,182	3,024,241
	TOTAL EQUITY AND LIABILITIES	1,961,741	1,445,967

- 1 Accounting policies
- 2 Capital and financing
- 3 Events after the balance sheet date
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2019	10,000,000	-11,578,274	-1,578,274
Transfer through appropriation of loss	0	-1,038,167	-1,038,167
Equity at 31 December 2019	10,000,000	-12,616,441	-2,616,441

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Burnblock ApS for 2019 has been presented in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act and elective choice of certain provisions applying to reporting class C entities.

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.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

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

The Company has chosen IAS 18 as interpretation for revenue recognition.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Gross profit

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

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 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 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.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Cash

Cash comprises 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.

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.

Prepayments received from customers

Prepayments from costumers are recognised in the balance sheet at the date of received prepayment.

2 Capital and financing

Financial statements 1 January - 31 December

Notes to the financial statements

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 Burnblock Holding ApS and has obtained a commitment for the necessary financing of operations up to and including 31 December 2020. The commitment received from Burnblock Holding ApS is supported by commitment from ultimate parent company, Bregnerød Investeringsselskab ApS.

On this basis the financial statements has been prepared under the going concern assumption.

3 Events after the balance sheet date

The outbreak in 2020 of COVID-19 has resulted in a temporary reduction in activity in the company in March and April. At this point in time it is not possible to assess the full economic effect hereof. The outbreak is considered a subsequent event, which does not have effect on the company's result or financial position at 31 December 2019.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2019	2018
4 Staff costs		
Wages/salaries	3,751,812	3,836,469
Pensions	369,616	380,305
Other social security costs	56,783	65,811
Other staff costs	97,786	97,881
	<u>4,275,997</u>	<u>4,380,466</u>
 Average number of full-time employees	 <u>8</u>	 <u>7</u>
5 Financial expenses		
Interest expenses, group entities	78,433	41,673
Other financial expenses	18,909	16,982
	<u>97,342</u>	<u>58,655</u>
6 Tax for the year		
Tax adjustments, prior years	0	-123,880
	<u>0</u>	<u>-123,880</u>
7 Property, plant and equipment		
DKK		Other fixtures and fittings, tools and equipment
Cost at 1 January 2019		<u>223,561</u>
Cost at 31 December 2019		<u>223,561</u>
Impairment losses and depreciation at 1 January 2019		179,251
Amortisation/depreciation in the year		25,962
Impairment losses and depreciation at 31 December 2019		<u>205,213</u>
Carrying amount at 31 December 2019		<u>18,348</u>

Financial statements 1 January - 31 December

Notes to the financial statements

8 Share capital

The Company's share capital has remained DKK 10,000,000 in the past year.

9 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with its ultimate parent, Bregnerød Investeringsselskab ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes.

Other financial obligations

At 31 December 2019, the rent obligation against the related party, Bregnerød Investeringsselskab ApS, amounted to DKK 163 thousand (2018: DKK 160 thousand against external part).

10 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2019.

11 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 15C, 1403 Copenhagen, Denmark

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Hroar Bay-Smidt

Direktion

På vegne af: Burnblock ApS

Serienummer: PID:9208-2002-2-746051402723

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Jan Sørensen

Dirigent

På vegne af: Burnblock ApS

Serienummer: PID:9208-2002-2-337739544037

IP: 77.241.xxx.xxx

2020-05-26 07:35:41Z

NEM ID 

Jan Sørensen

Bestyrelse

På vegne af: Burnblock ApS

Serienummer: PID:9208-2002-2-337739544037

IP: 77.241.xxx.xxx

2020-05-26 07:35:41Z

NEM ID 

Henrik Lyngbye Pedersen

Bestyrelse

På vegne af: Burnblock ApS

Serienummer: PID:9208-2002-2-176691848046

IP: 152.115.xxx.xxx

2020-05-26 07:57:36Z

NEM ID 

Hroar Bay-Smidt

Bestyrelse

På vegne af: Burnblock ApS

Serienummer: PID:9208-2002-2-746051402723

IP: 152.115.xxx.xxx

2020-05-26 07:58:56Z

NEM ID 

Peter Gath

Statsautoriseret revisor

På vegne af: Ernst & Young P/S

Serienummer: CVR:30700228-RID:1268145678673

IP: 145.62.xxx.xxx

2020-05-26 13:37:51Z

NEM ID 

Morten Weinreich Larsen

Statsautoriseret revisor

På vegne af: Ernst & Young P/S

Serienummer: PID:9208-2002-2-649089981298

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