

NOVENCO FIRE FIGHTING A/S

Lille Tornbjerg Vej 30, Tornbjerg, 5220 Odense

Company reg. no. 29 42 19 51

Annual report

1 January - 31 December 2018

The annual report was submitted and approved by the general meeting on the 21 June 2019.

Erik Christensen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of NOVENCO FIRE FIGHTING A/S for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Odense, 21 June 2019

Managing Director

Erik Christensen

Board of directors

Mary Elizabeth Johnston
Chairman

Johan Alfons M. Denis

Dagfinn Aas

Independent auditor's report

To the shareholder of NOVENCO FIRE FIGHTING A/S

Opinion

We have audited the annual accounts of NOVENCO FIRE FIGHTING A/S for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Independent auditor's report

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.

Independent auditor's report

- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Copenhagen, 21 June 2019

PricewaterhouseCoopers

State Authorised Public Accountants
Company reg. no. 33 77 12 31

Poul Erik Jacobsen

State Authorised Public Accountant
MNE-nr. 10086

Company data

The company

NOVENCO FIRE FIGHTING A/S
Lille Tornbjerg Vej 30, Tornbjerg
5220 Odense

Company reg. no. 29 42 19 51

Financial year: 1 January - 31 December

Board of directors

Mary Elizabeth Johnston, Chairman
Johan Alfons M. Denis
Dagfinn Aas

Managing Director

Erik Christensen

Auditors

PricewaterhouseCoopers, State Authorised Public Accountants
Rytterkasernen 21
5000 Odense C

Management's review

The principal activities of the company

In 2018 the main activities of the company have been development of fire-fighting systems, product management and sales support of fire-fighting systems for the global Survitec network.

Uncertainties as to recognition or measurement

There is no uncertainty regarding recognition and measurement in the annual report.

Development in activities and financial matters

The results from ordinary activities after tax are tDKK 1.060 against tDKK 2.733 last year. The management consider the results satisfactory.

The parent company's annual report contains a note 1, going concern, which explains the uncertainty in the parent company's ability to continue its operations, as there is a risk that the parent company will not be able to fulfill its financial obligations to credit institutions within the next year. Actions are being initiated to eliminate that risk, and the parent company's management expects that a solution will be in place within the next few months. The management of Novenco Fire Fighting A/S does not expect that a possible lack of a solution in the parent company will affect the Danish company's ability to continue its operations, as the Danish company's business and economic dependency on the parent company and the group is not so extensive that provides the basis for the operation of the Danish company.

Research and development activities

In 2018 two large projects have been active, both subsidied by Danish Maritime Fund. One of the projects concluded in second half of 2018, the second one expected to finish in the second half of 2019. In addition a few minor development projects started and completed in 2018

Events subsequent to the financial year

There have been no events after the financial year that could significantly affect the company's financial position.

Accounting policies used

The annual report for NOVENCO FIRE FIGHTING A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, production costs and other operating income.

Accounting policies used

Turnover

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Contract work in progress concerning construction contracts and services is recognised concurrently in the net turnover with the progress of the production. Thus, the net turnover corresponds to the sales value of the completed productions of the year (the production method). The net turnover is recognised when the total income and costs of the contract and the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the financial benefits will be received by the company..

The net turnover is measured at the received consideration and are recognised exclusive of value added tax and less discounts in connection with the sale.

Distribution costs

The distribution costs comprise costs which have been incurred for distribution of goods sold during the year and for sales campaigns carried out during the year. Additionally, costs for sales staff, costs for advertising and exhibitions, and depreciation are recognised in the profit and loss account.

Administration costs

Administration costs comprise costs which have been incurred during the year for management and administration, including costs for the administrative staff, the executive board, offices, stationery and office supplies, and depreciation.

Other operating costs

Other operating costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including losses on disposal of intangible and tangible fixed assets.

Net financials

Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

Accounting policies used

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the profit and loss account as costs in the acquisition year.

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years.

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Other plants, operating assets, fixtures and furniture	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Accounting policies used

Financial fixed assets

Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

Accounting policies used

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Provisions

Provisions comprise expected costs for guarantee liabilities, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual liability which is due to a previous event and when it is likely that the settlement of the liability will result in expenditure of the financial resources of the company.

Other provisions comprise guarantee liabilities for repairs within the guarantee period. The provisions are measured at the net realisable value and recognised on basis of the obtained experience with guarantee work.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

Profit and loss account 1 January - 31 December

DKK in thousands.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Gross profit	3.009	5.607
Distribution costs	-342	-413
Administration costs	-641	-1.374
Other operating costs	-112	-349
Operating profit	1.914	3.471
Other financial income	5	20
2 Other financial costs	-137	-50
Results before tax	1.782	3.441
3 Tax on ordinary results	-279	-708
Results for the year	1.503	2.733
Proposed distribution of the results:		
Allocated to other statutory reserves	3.390	7.643
Allocated from results brought forward	-1.887	-4.910
Distribution in total	1.503	2.733

Balance sheet 31 December

DKK in thousands.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Assets		
Fixed assets		
4 Completed development projects, including patents and similar rights arising from development projects	14.049	9.799
Intangible fixed assets in total	<u>14.049</u>	<u>9.799</u>
5 Other plants, operating assets, and fixtures and furniture	43	0
Tangible fixed assets in total	<u>43</u>	<u>0</u>
Deposits	81	80
Financial fixed assets in total	<u>81</u>	<u>80</u>
Fixed assets in total	<u>14.173</u>	<u>9.879</u>
Current assets		
Manufactured goods and trade goods	42	22
Inventories in total	<u>42</u>	<u>22</u>
Trade debtors	460	883
Amounts owed by group enterprises	4.107	1.824
Other debtors	944	459
Accrued income and deferred expenses	17	10
Debtors in total	<u>5.528</u>	<u>3.176</u>
Available funds	697	2.636
Current assets in total	<u>6.267</u>	<u>5.834</u>
Assets in total	<u>20.440</u>	<u>15.713</u>

Balance sheet 31 December

DKK in thousands.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Equity and liabilities		
Equity		
Contributed capital	3.000	3.000
Reserve for development expenditure	11.033	7.643
Results brought forward	-4.604	-2.717
Equity in total	<u>9.429</u>	<u>7.926</u>
Provisions		
Provisions for deferred tax	1.321	912
Other provisions	0	415
Provisions in total	<u>1.321</u>	<u>1.327</u>
Liabilities		
6 DMFF Loan	2.900	2.521
Long-term liabilities in total	<u>2.900</u>	<u>2.521</u>
Prepayments received from customers	368	1.022
Trade creditors	1.789	1.287
Debt to group enterprises	4.017	314
Other debts	611	1.201
Accrued expenses and deferred income	5	115
Short-term liabilities in total	<u>6.790</u>	<u>3.939</u>
Liabilities in total	<u>9.690</u>	<u>6.460</u>
Equity and liabilities in total	<u>20.440</u>	<u>15.713</u>
1 Staff matters		
7 Contingencies		

Statement of changes in equity

DKK in thousands.

	Contributed capital	Reserve for development expenditure	Results brought forward	In total
Equity 1 January 2018	3.000	7.643	-2.717	7.926
Profit or loss for the year brought forward	0	0	-1.887	-1.887
Transferred from results brought forward	0	3.390	0	3.390
	3.000	11.033	-4.604	9.429

Notes

DKK in thousands.

	<u>2018</u>	<u>2017</u>
1. Staff matters		
Salaries and wages	4.260	3.943
Offset costs	-1.546	-888
Pension costs	587	391
Other costs for social security	21	16
Other staff costs	50	38
	<u>3.372</u>	<u>3.500</u>
Staff costs are recognised as follows in the profit and loss account:		
Production costs	<u>3.372</u>	<u>3.500</u>
	<u>3.372</u>	<u>3.500</u>
Average number of employees	<u>7</u>	<u>6</u>
2. Other financial costs		
Financial costs, group enterprises	84	0
Other financial costs	53	50
	<u>137</u>	<u>50</u>
3. Tax on ordinary results		
Adjustment for the year of deferred tax	409	1.292
Adjustment of tax for previous years	-130	-584
	<u>279</u>	<u>708</u>

Notes

DKK in thousands.

	<u>31/12 2018</u>	<u>31/12 2017</u>
4. Completed development projects, including patents and similar rights arising from development projects		
Cost 1 January 2018	9.799	960
Additions during the year	<u>4.345</u>	<u>8.839</u>
Cost 31 December 2018	<u>14.144</u>	<u>9.799</u>
Amortisation for the year	<u>-95</u>	<u>0</u>
Amortisation and writedown 31 December 2018	<u>-95</u>	<u>0</u>
Book value 31 December 2018	<u>14.049</u>	<u>9.799</u>
Development projects relates to the development of new firefighting solutions.		
5. Other plants, operating assets, and fixtures and furniture		
Additions during the year	<u>44</u>	<u>0</u>
Cost 31 December 2018	<u>44</u>	<u>0</u>
Depreciation for the year	<u>-1</u>	<u>0</u>
Amortisation and writedown 31 December 2018	<u>-1</u>	<u>0</u>
Book value 31 December 2018	<u>43</u>	<u>0</u>
6. DMFF Loan		
DMFF Loan in total	<u>2.900</u>	<u>2.521</u>
The loan is granted for product development and is repaid as and if the products in question is profitable. The loan is interest-free.		
7. Contingencies		
Rental and leasing liabilities		DKK in thousands
Rental liabilities		<u>179</u>
Leasing liabilities under 1 year		151
Leasing liabilities between 1 and 5 years		<u>242</u>
Contingent liabilities in total		<u>572</u>