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 2019

The annual report was submitted and approved by the general meeting on the 8 June 2020.

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Erik Christensen
Chairman of the meeting

Contents

	Page
Reports	
Management's report	1
Independent auditor's report	2
Management commentary	
Company information	5
Management commentary	6
Financial statements 1 January - 31 December 2019	
Accounting policies	7
Income statement	12
Statement of financial position	13
Statement of changes in equity	15
Notes	16

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS 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

Today, the board of directors and the managing director have presented the annual report of NOVENCO FIRE FIGHTING A/S for the financial year 1 January - 31 December 2019.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the Company’s assets, equity and liabilities, and financial position at 31 December 2019 and of the Company’s results of activities in the financial year 1 January – 31 December 2019.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

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

Odense, 8 June 2020

Managing Director

Erik Christensen

Board of directors

Suketu Kishor Devani Chairman	Claude Husain Sada	Erik Christensen

Independent auditor's report

To the shareholders of NOVENCO FIRE FIGHTING A/S

Opinion

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.

We have audited the Financial Statements of NOVENCO FIRE FIGHTING A/S for the financial year 1 January - 31 December 2019, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes (“financial statements”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor’s Responsibilities for the Audit of the* Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the financial statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

Management's Responsibilities for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material 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 including our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs, and the additional requirements applicable in Denmark, we exercise professional judgment 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.

- 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 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.

Odense, 8 June 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Poul Erik Jacobsen	Mette Plambech
State Authorised Public Accountants	State Authorised Public Accountants
mne10086	mne34162

Company information

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	Suketu Kishor Devani, Chairman Claude Husain Sada Erik Christensen	
Managing Director	Erik Christensen	
Auditors	PricewaterhouseCoopers, State Authorised Public Accountants Rytterkasernen 21 5000 Odense C	

Management commentary

The principal activities of the Company

In 2019 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 about recognition or measurement

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

Development in activities and financial matters

Income or loss from ordinary activities after tax totals DKK 1.659.000 against DKK 1.503.000 last year. Management considers the net profit for the year satisfactory.

Expected developments

We do not expect any major effect from the COVID 19 for NFF in the coming year, 2020, because we are mainly a development and technical and sales support function for the Survitec organization. Major activities are in China and Korea and the shipyards are delayed; but not very influenced by the COVID 19.

We have been restricted in travel, which has a minor influence on our services abroad; but delayed not cancelled.

The COVID 19 may have a longer term effect on the shipbuilding industry, and consequently Novenco FF; but too early to tell.

Events occurring after the end of the financial year

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

The annual report for NOVENCO FIRE FIGHTING A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the Company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems 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 statement of financial position when it is seems probable that future economic benefits will flow out of the Company and the value of the liability can be reliably measured.

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.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Income statement

Gross profit

Gross profit comprises revenue, production costs, and other operating income.

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 on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement 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 is done on a straight-line basis according to an assessment 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 income statement 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.

Financial fixed assets

Deposits

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

Inventories

Inventories are measured at cost on the basis of weighted measured average prices. In cases when the net realisable value is lower than the cost, the latter is written down for impairment to this lower value.

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

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

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

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

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities. The reserve cannot be used as dividends or for covering losses. The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with 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 receivables and tax liabilities are offset to the extent that a legal right of set-off exists and 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 on the basis of the tax rules and tax rates of applicable legislation at the reporting 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.

Income statement 1 January - 31 December

DKK thousand.

Note		2019	2018
	Gross profit	**3.427**	**3.009**
	Distribution costs	-335	-342
	Administration costs	-777	-641
	Other operating costs	-146	-112
	Operating profit	**2.169**	**1.914**
	Other financial income	0	5
3	Other financial costs	-35	-137
	Financing	-35	-132
	Pre-tax net profit or loss	**2.134**	**1.782**
4	Tax on net profit or loss for the year	-475	-279
	Net profit or loss for the year	**1.659**	**1.503**
	Proposed appropriation of net profit:		
	Transferred to retained earnings	2.330	0
	Allocated to other statutory reserves	-671	3.390
	Allocated from retained earnings	0	-1.887
	Total allocations and transfers	**1.659**	**1.503**

Statement of financial position at 31 December

DKK thousand.

Note	Assets	2019	2018
	Non-current assets		
5	Completed development projects, including patents and similar rights arising from development projects	13.285	14.049
	Total intangible assets	13.285	14.049
6	Other fixtures and fittings, tools and equipment	28	43
	Total property, plant, and equipment	28	43
	Deposits	80	81
	Total investments	80	81
	Total non-current assets	**13.393**	**14.173**
	Current assets		
	Manufactured goods and goods for resale	65	42
	Total inventories	65	42
	Trade receivables	284	460
	Receivables from group enterprises	1.261	4.107
	Other receivables	1.048	944
	Prepayments and accrued income	35	17
	Total receivables	2.628	5.528
	Cash on hand and demand deposits	3.665	697
	Total current assets	**6.358**	**6.267**
	Total assets	**19.751**	**20.440**

Statement of financial position at 31 December

DKK thousand.

Note	Equity and liabilities	2019	2018
	Equity		
	Contributed capital	3.000	3.000
	Reserve for development costs	10.362	11.033
	Retained earnings	-2.274	-4.604
	Total equity	**11.088**	**9.429**
	Provisions		
	Provisions for deferred tax	1.796	1.321
	Total provisions	**1.796**	**1.321**
	Liabilities other than provisions		
7	DMFF Loan	3.150	2.900
	Total long term liabilities other than provisions	3.150	2.900
	Prepayments received from customers	44	368
	Trade payables	720	1.789
	Payables to group enterprises	2.274	4.017
	Other payables	590	611
	Accruals and deferred income	89	5
	Total short term liabilities other than provisions	3.717	6.790
	Total liabilities other than provisions	**6.867**	**9.690**
	Total equity and liabilities	**19.751**	**20.440**

1 Subsequent events
2 Staff matters
8 Contingencies

Statement of changes in equity

DKK thousand.

	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity 1 January 2019	3.000	11.033	-4.604	9.429
Profit or loss for the year brought forward	0	0	2.330	2.330
Transferred from results brought forward	0	-671	0	-671
	3.000	**10.362**	**-2.274**	**11.088**

Notes

DKK thousand.

1. Subsequent events

The implications of COVID-19 with many governments across the world deciding to ”close down their countries” will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019) which will therefore not have any effect on the Financial Statements for 2019 (a non-adjusting event).

The implications of COVID-19 may affect the Company’s performance negatively in 2020. At this time, it is not possible to calculate the impact. Management assesses that the financial resources available are adequate.

	2019	2018
2. Staff matters		
Salaries and wages	4.054	4.260
Offset costs	-2.066	-1.546
Pension costs	599	587
Other costs for social security	20	21
Other staff costs	83	51
	2.690	**3.373**
Staff costs are recognised as follows in the income statement:		
Production costs	2.691	3.372
	2.691	**3.372**
Average number of employees	6	7
3. Other financial costs		
Financial costs, group enterprises	11	84
Other financial costs	24	53
	35	**137**
4. Tax on net profit or loss for the year		
Adjustment for the year of deferred tax	475	409
Adjustment of tax for previous years	0	-130
	475	**279**

DKK thousand.

		31/12 2019	31/12 2018
5.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost 1 January 2019	14.144	9.799
	Additions during the year	520	4.345
	Cost 31 December 2019	**14.664**	**14.144**
	Amortisation and writedown 1 January 2019	-95	0
	Amortisation for the year	-1.284	-95
	Amortisation and writedown 31 December 2019	**-1.379**	**-95**
	Carrying amount, 31 December 2019	**13.285**	**14.049**
6.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2019	44	0
	Additions during the year	0	44
	Cost 31 December 2019	**44**	**44**
	Amortisation and writedown 1 January 2019	-1	0
	Depreciation for the year	-15	-1
	Amortisation and writedown 31 December 2019	**-16**	**-1**
	Carrying amount, 31 December 2019	**28**	**43**
7.	**DMFF Loan**		
	Total DMFF loan	**3.150**	**2.900**

The loan is granted for product development and is repaid as and if the products in question is profitable. The loan is interest-free.

8. Contingencies

Contingent liabilities

	DKK in thousands
Rental liabilities	540
Leasing liabilities under 1 year	147
Leasing liabilities between 1 and 5 years	128
Total contingent liabilities	**815**