

NovCo Holding II A/S

Central bus. reg. (CVR) no. DK 29 32 04 97

Annual Report for 2013

The Annual Report has been
presented and approved by the
Company in general meeting
on 5/5 2014


Chairman of the general meeting

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Management statement

On this day, the Board of Directors and Executive Board have considered and approved the Annual Report of NovCo Holding II A/S for the financial year 1 January – 31 December 2013.

The Annual Report has been presented in accordance with the Danish Financial Statements Act.


In our opinion, the consolidated financial statements and the financial statements provide a fair presentation of the Group's and the Company's assets, liabilities and financial position at 31 December 2013 and of the results of the Group's and the Company's operations for the financial year 1 January – 31 December 2013.

Further, it is our opinion that the management's review provides a fair presentation of the development in the Group's and the Company's operations and financial matters, the results for the year and of the Group's and the Company's financial position.

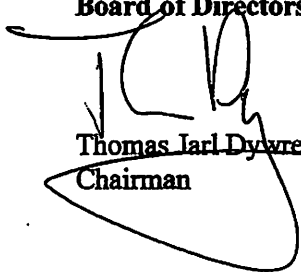
We recommend that the Annual Report be approved by the annual general meeting.

Næstved, 26 May 2014

Executive Board


Steen Asferg Rasmussen

Board of Directors


Thomas Jarl Dyvremose
Chairman


Lars Erik Knaack


Steen Asferg Rasmussen

Independent auditors' report

To the shareholders of NovCo Holding II A/S

Auditors' report on the consolidated financial statements and financial statements

We have audited the consolidated financial statements and financial statements of NovCo Holding II A/S for the financial year 1 January – 31 December 2013. The consolidated financial statements and financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as the Company. The consolidated financial statements and the financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the financial statements

Management is responsible for the preparation of consolidated financial statements and financial statements that provide a fair presentation in accordance with the Danish Financial Statements Act. Management is also responsible for the internal controls regarded as necessary by Management for preparing consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the financial statements based on our audit. We conducted our audit in accordance with international auditing standards and additional requirements according to Danish audit legislation. They require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence of the amounts and disclosures in the consolidated financial statements and the financial statements. The audit procedures selected depend on the auditors' assessment, including the assessment of the risks of material misstatement in the consolidated financial statements and the financial statements, whether due to fraud or error. In making the risk assessment, the auditors consider internal controls relevant to the Company's preparation of consolidated financial statements and financial statements that provide a fair presentation 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 controls. An audit also includes evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the financial statements provide a fair presentation of the Group's and the Company's assets, liabilities and financial position at 31 December 2013 and of the results of the Group's and the Company's operations for the financial year 1 January – 31 December 2013 in accordance with the Danish Financial Statements Act.

Emphasis of matter regarding the consolidated financial statements and the parent company financial statements

Without modifying our opinion, we refer to note 22 in the consolidated financial statements and the parent company financial statements from which it appears that the basis for the Group's continued operations is conditioned upon realisation of a positive net cash flow according to the budget. Management believes that these conditions will be fulfilled, and consequently the consolidated financial statements and the parent company financial statements have been prepared on a going concern basis

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the financial statements.

Copenhagen, 26 May 2014

KPMG

Statsautoriseret Revisionspartnerselskab



Peter Gath

State Authorised Public Accountant



Lisa Hagedorn

State Authorised Public Accountant

Company information

The Company

NovCo Holding II A/S
Industrivej 22
DK-4700 Næstved, Denmark

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Central bus. reg. (CVR) no.: DK 29 32 04 97

Accounting period: 1 January - 31 December

Financial year: 8th financial year

Registered office municipality: Næstved, Denmark

Board of Directors

Thomas Jarl Dywremose, Chairman
Lars Erik Knaack
Steen Asferg Rasmussen

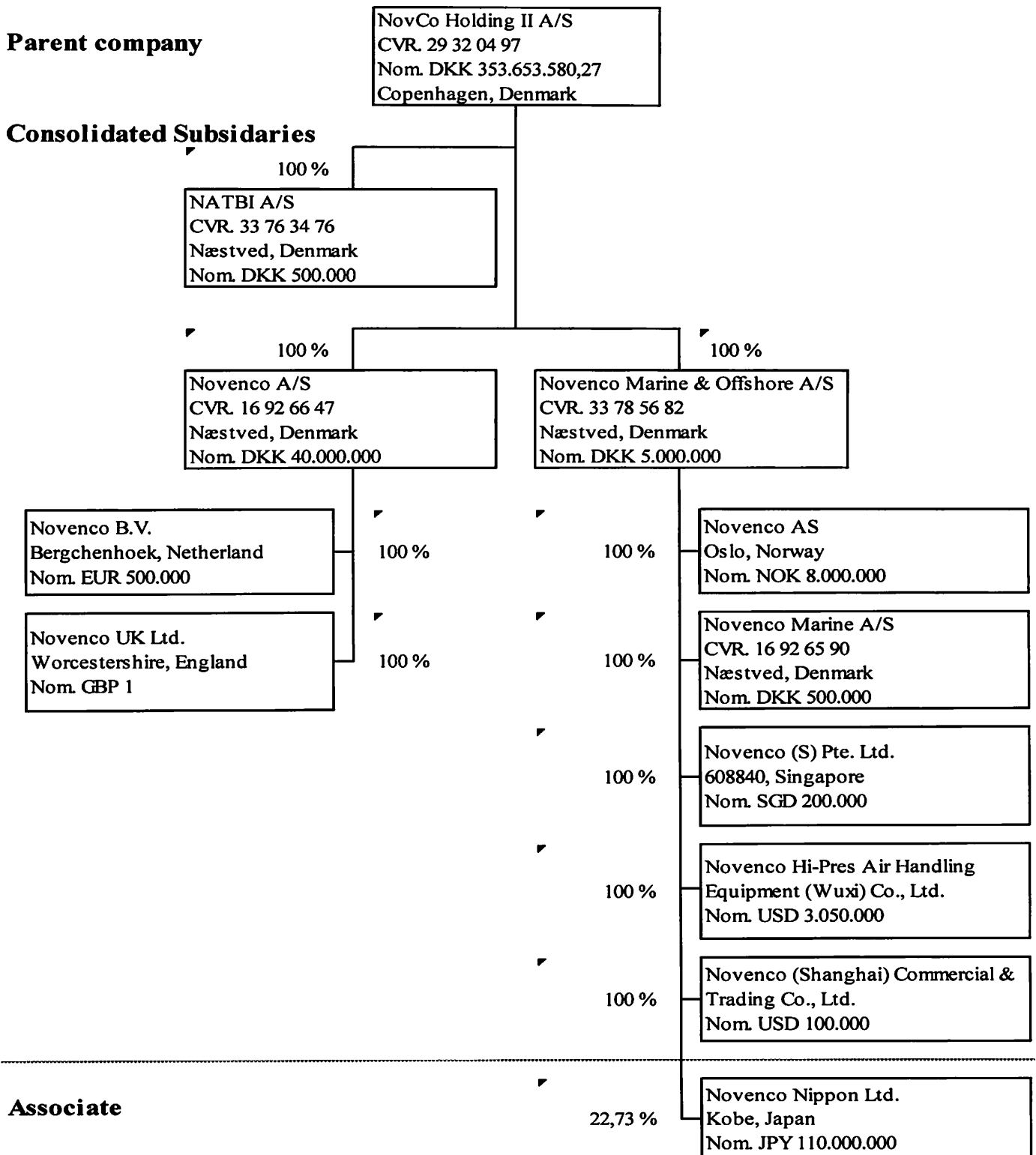
Executive Board

Steen Asferg Rasmussen

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Osvold Helmuths vej 4
DK-2000 Frederiksberg, Denmark

Group Chart



Financial highlights

Seen over a 5-year period, the Group's development can be described by the following financial highlights:

	Group				
	2013	2012	2011	2010	2009*
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Hovedtal					
Income statement					
Revenue	772,644	758,066	704,339	687,040	799,927
Profit/(loss) on ordinary operating activities	-60,982	-91,295	-52,196	-75,966	-84,332
Profit/(loss) before net financials	-74,256	-88,529	-6,867	-78,495	-96,604
Net financials	-6,174	-7,819	-2,654	1,301	17,494
Profit/(loss) for the year	-71,640	-78,001	-533	-58,161	-57,804
Balance sheet					
Balance sheet total	531,813	479,388	509,025	510,736	627,712
Equity	44,052	105,453	174,072	173,992	224,390
Cash flows					
Cash flows from					
- operating activities	-30,275	-4,105	-63,030	-32,543	-10,398
- investing activities	-5,028	4,684	61,431	-12,977	-50,318
- hereof investment in property, plant and equipment					
- non-current assets	5,340	4,515	7,480	5,966	41,393
- financing activities	51,139	-19,156	13,949	-55,653	180,238
Deviation for the year in cash and cash equivalents	15,836	-18,577	12,350	-101,173	119,552
Number of employees	529	535	637	557	645
Ratios (%)					
Gross margin ratio	13.0	15.0	16.0	13.6	10.9
Operating margin	-10.3	-11.7	-1.0	-11.4	-12.2
Return on capital employed	-14.0	-18.5	-1.3	-15.4	-15.6
Equity ratio	8.3	22.0	34.2	34.1	35.7
Return on equity	-95.8	-55.8	-0.3	-29.2	-32.9

*Financial highlights have not been restated to reflect disposal of activities.

Please see the definitions in the section on accounting policies.

Management's review

The Annual Report of NovCo Holding II A/S for 2013 has been presented in accordance with the provisions of the Danish Financial Statements Act governing large reporting class C enterprises.

Principal activity

NovCo Holding II A/S' purpose is to own companies, directly or indirectly owned, within production, sales or services of ventilation products or systems.

On July 10, 2013 Hi Air Korea Co. Ltd acquired the majority control of NovCo Holding II A/S, including the companies Novenco A/S and Novenco Marine & Offshore A/S with subsidiaries. The Group was acquired from the Danish private equity fund Dania Capital.

On September 5, 2013 the fully owned company Novenco A/S divested its activities within land based air handling units to Exhausto A/S. After the divestment, the Company has concentrated its activities on development, production and sale of ventilation fans and fan systems.

Development during the year

During 2013, the Group experienced a general recovery in the served markets and the general activity level increased which was reflected in the Company's order intake, which grew by 34 percent year on year compared to 2012. The marine segment increased the order intake by 30%, and the fan segment increased its order intake – measured in terms of continuing operations – by 11 percent year on year.

Mainly higher activity levels within the Offshore and special vessels segments are driving the increase in order intake and order backlog. End-2013, the total order backlog was back at the level before the financial crisis and will significantly impact the results of the Marine & Offshore Group in the coming years.

Also the market for merchant ships presented a stronger development during 2013 which confirmed the strong position of the Company in the growing Chinese market. In 2014, the Company expects to maintain a leading position in this important market.

During 2013, the Company opened an office in Korea in order to be able to follow our close European customers going to Asia for new buildings. Further, the Company has expanded its activities in Italy which has given access to qualified engineering resources and enhanced the Company's platform into the market for Cruise ships.

The fan segment's new target area with sale of ventilation products to other industries than the building and construction sectors has further strengthened through 2013 and is expected to increase and enhance the Company's earnings in 2014 and onwards.

Management's review

The restructuring of the Novenco Group performed in December 2012 positively impacted the operation of the Company during the year, making significant reductions to the overall costs and increased the direct earnings from the main activities. As the restructuring was carried out very late in 2012, the full effects from the restructuring activities are expected to materialise in 2014.

In retrospect

The Group recorded a consolidated loss after tax of DKK (71.6) million which is unsatisfactory.

Financial review

Profit/(loss) for the year

The Group reported revenues of DKK 723 million for the period after divested activities.

The operating loss amounted to DKK (61.0) million compared to a loss of DKK (91.3) million in 2012. This was primarily attributable to a lower revenue than expected due to orders received later than expected and postponed deliveries during the year.

The loss before net financials amounted to DKK (74.3) million and the Group's loss before tax is DKK (80.4) million.

Balance sheet development

The parent company's balance sheet stood at DKK 119.1 million in 2013.

The parent company's investments in subsidiaries are recognised at the proportionate share of the profit and equity value.

At year-end, the Group's cash and cash equivalents amounted to DKK 58.4 million.

Group equity stood at DKK 44.1 million.

Group provisions for warranty commitments amounted to DKK 3.1 million, which Management considers to be adequate.

Management's review

Investments

No major investments have been made during the financial year.

Financial resources

Equity stood at DKK 44.1 million at 31 December 2013 compared with DKK 105.5 million at year-end 2012 and the equity ratio was 8.3 percent against 22.0 percent at year-end 2012.

The Group's execution of the existing volume of orders is expected to improve the results of operations for 2014 significantly. The Group budgets for a profit after tax. Against this background, Management considers the financial resources to be adequate to carry out the plans and activities budgeted for 2014. Further, the new owner of NovCo Holding II A/S has during the second half of 2013 provided the Group with overdraft facilities to support the activities of the Group. The overdraft facilities will, however, expire on 3 December 2014, and it is therefore fundamental to ensure going concern that the Group at all levels will realise the positive net cash flow according to the budget.

Special risks – operating and financial risks

General risks

The general risks are tied to the global world economy as the Company has activities in large parts of the world.

Financial risks

As a consequence of its financial position and its financial resources, the Company is exposed to interest rate fluctuations. The Group's interest rate exposure concerns its interest-bearing assets and the Group's limited interest-bearing liabilities. The Group's interest-bearing assets primarily consist of cash and cash equivalents, which at 31 December 2013 was DKK 58.4 million. In addition, the Group has a cash pool arrangement, where the following companies participate – in addition to the holding company - Novenco A/S, Novenco Marine & Offshore A/S and Novenco AS.

The company has limited access to overdraft facilities with banks. Larger investments in production equipment are leased (financial leasing), and Group headquarters and main manufacturing site in Naestved are rented.

Management's review

Currency risks

As a significant portion of revenues are made up of export sales, the Company is sensitive to changes in exchange rates. Goods are purchased using mainly Danish kroner, EUR and in the subsidiaries their local currencies.

Credit risks

It is Company policy to always secure payment from external customers, either through bank guarantees, letter of credits or an ongoing credit rating of the customer.

Corporate governance

The Board of Directors and Executive Board of company and its subsidiaries continuously seek to ensure that the management structure and control systems of the Group are expedient and efficient. Management currently assesses whether that is the case.

Corporate governance is largely built into the requirements laid down in the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association and good practice for companies of a similar size and with the same international reach as for the Novenco group of companies.

Ownership structure

At 31 December 2013, the entire share capital of the Group was owned by Novenco HAK ApS. The Group's ultimate, principal majority shareholder is Hi-Air Korea Co. Ltd.

The work of the Board of Directors

In 2013, the Company held one Board meeting. The subsidiaries of the Holding Company conduct their own Board meetings.

Goals and policies for female representation

The Company's policy regarding management diversity are aiming on having 25% female members on the Board of Directors, however, the Company also aims on having the most qualified resources available. The Company is currently not in compliance with the policy as all members of the board are male. In 2013 the company have implemented new statistics measuring gender on all management levels throughout the group of companies, in order to increase the overall focus on the subject. The holding company has currently no direct employees.

Management's review

Management's remuneration

Remuneration for the Board of Directors and Executive Board is disclosed in note 20 to the Annual Report.

Stakeholders

The Company's primary stakeholders include Novenco HAK ApS, the Company's bankers SEB and KEB as well as the Company's employees, customers and suppliers. The management of the subsidiaries holds meetings, at regular intervals and as required, with its stakeholders to continually align expectations and communicate developments in the Company.

Objectives and outlook

At the onset of 2014, the Group has a considerable volume of orders. The Group's strategy regarding efficiency enhancements will be continued and strengthened in 2014. This will lead to considerably improved results of operations, as orders already taken will be executed.

However, at the same time it must be pointed out that the world situation is still uncertain, particularly in the marine industry where the Group of Companies primarily operates.

Staff

Staff changes:

	Total	Denmark	Rest of the world
Number of employees, Jan 1. 2013	494	292	202
Staff departure	146	94	52
Staff arrival	138	48	90
Number of employees, Dec 31. 2013	486	246	240

Production and process standards

The Group is certified under ISO 9001: 2000.

Management's review

Corporate social responsibility

The Group is a globally operating Company with customers, employees, suppliers and other business partners all over the world, predominantly in Northern Europe and Asia. The Group is thus operating in areas with different cultures, moral concepts, social conditions and behavioural norms.

The environment:

The Group's environmental management systems ensure that all companies within the Group make a continuous, targeted effort to improve its environmental performance.

Working environment and employee health:

The group complies with Danish legislation concerning working environment and safety. The group companies has chosen to have its monthly reporting comprise parts of the working environment as well in order to ensure focus on key figures and a dynamic development in the area. The program launched in 2012 targeting efforts to reduce the number of working accidents, including measuring of near-accidents has been continued in 2013.

To make sure that the Group always meets external environmental requirements in relation to its activities (metal-working industry), the Group has chosen to be environmentally certified (ISO 14001:2004) in addition to obtaining the statutory environmental approvals. Since 2012, the environmental certification covers all operating companies in the Group. The Group has established action plans to reduce consumption in order to reduce its CO2 emission and use of common resources, among other things.

Events occurring after the end of the financial year

After the end of the financial year, no significant events have occurred which may have a significant impact on the financial statements for 2013.

Accounting policies

Basis of financial statements

The Annual Report of NovCo Holding II A/S has been presented in accordance with the provisions of the Danish Financial Statements Act pertaining to large reporting class C enterprises.

The accounting policies are unchanged compared with last year.
The Annual Report for 2013 has been presented in DKK thousand (DKK 1,000).

Consolidated financial statements

The consolidated financial statements include the parent company NovCo Holding II A/S and the subsidiaries in which NovCo Holding II A/S directly or indirectly holds more than 50 percent of the voting rights or otherwise exercises control.

Companies, in which the Group owns between 20% and 50% of the votes and exercises significant but not control, are considered associates, cf. the group chart.

Basis of consolidation

The consolidated financial statements have been prepared on the basis of the financial statements of NovCo Holding II A/S and its subsidiaries. The consolidated financial statements have been prepared by adding together items of a uniform nature. Intercompany income and expenses, intercompany balances and dividends as well as profit and loss from intercompany transactions have been eliminated on consolidation. The financial statements used for consolidation purposes have been prepared in accordance with the Group's accounting policies.

In the consolidated financial statements, the items of subsidiaries are recognised in full.

Business combinations

Newly acquired or newly established companies are recognised in the consolidated financial statements as of the date of acquisition.

On the acquisition of new companies, the purchase method is applied according to which the identifiable assets and liabilities of the newly acquired companies are measured at their fair values at the date of acquisition.

General aspects related to recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when they are probable and can be measured reliably. Assets and liabilities are measured at cost on initial recognition.

Assets and liabilities are subsequently measured as described for each item below.

Accounting policies

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective cost to maturity. Amortised cost is calculated as initial cost less any deductions and with addition/deduction of the accumulated amortisation of the difference between the cost price and the nominal amount. In this way, capital losses and gains are allocated over the term to maturity.

On recognition and measurement, any gains, losses and risks arising before the time when the Annual Report is presented and proving or disproving matters existing on the balance sheet date are taken into account.

Income is recognised in the income statement as earned and includes value adjustments of financial assets and liabilities measured at fair value or amortised cost. Moreover, costs incurred to obtain the revenue for the year, including depreciation and amortisation, impairment losses and provisions and reversals hereof due to changes in accounting estimates, are recognised in the income statement.

Foreign currency translation

On initial recognition, transactions in foreign currencies are translated using the exchange rate ruling at the date of the transaction. Any exchange differences arising between the rate of exchange ruling at the date of the transaction and the rate of exchange ruling at the date of payment are recognised in the income statement as an item under financial income and expenses, net.

Receivables, payables and other monetary items in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. The difference between the rate of exchange ruling at the balance sheet date and the rate of exchange ruling at the time when the receivables or the payables arose or were recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included under other receivables and other payables, respectively. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future cash flows are recognised directly in equity. Income and expenses relating to such hedging transactions are transferred from equity on realisation of the hedged asset or liability and are recognised in the same item as the hedged asset or liability.

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are currently recognised in the income statement under financial income and expenses, net.

Accounting policies

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement if delivery took place and the risk has passed to the buyer before year-end and provided that the income can be stated reliably and payment is expected to be made.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Contract work in progress concerning customised production of systems is recognised as revenue when the production is completed, and the revenue thus corresponds to the selling price of the work completed (the percentage of completion method).

Production costs

Production costs comprise the costs incurred to obtain the revenue for the year. The cost includes raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation etc. as well as operation, administration and management of factories.

Included in production costs are research and development costs which do not meet the criteria for capitalisation and amortisation of capitalised development costs. Moreover, provisions for losses on contracts are included.

Distribution costs

Distribution costs comprise costs of distribution and sales campaigns regarding goods sold during the year, including costs relating to sales staff, marketing and depreciation/amortisation as well as loss on trade debtors.

Administrative expenses

Administrative expenses comprise costs relating to the management, the administrative staff, office expenses, insurance, depreciation/amortisation etc.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature in relation to the principal activity of the Company, including profit/loss on the sale of intangibles and property, plant and equipment.

Share of profit/(loss) in subsidiaries and associates

The proportionate share of the post-tax results of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intercompany profits/losses.

Accounting policies

The proportionate share of the post-tax results of the associates is recognised in the income statement of the parent company and the consolidated income statement after elimination of the proportionate share of intercompany profits/losses.

Net financials

Financial income and expenses include interest, financial expenses relating to finance leases, marketable securities adjustments, amortisation of mortgage loans as well as additions and tax allowances under the Tax Prepayment Scheme.

Tax

The Company is covered by the Danish rules on compulsory joint taxation of the Danish subsidiaries of the Realdania Group. The current corporation tax is distributed between the jointly taxed companies in proportion to their taxable incomes (full absorption with refunds for tax losses).

Tax for the year, which consists of the year's joint taxation contribution and change in deferred tax, is recognised in the income statement with the share attributable to the profit/loss for the year and directly in equity with the share attributable to items recognised directly in equity.

Balance sheet

Intangibles

Development costs comprise costs, salaries and amortisation directly and indirectly attributable to the Company's development activities.

Development projects clearly defined and identifiable involving a demonstrable technical rate of utilisation, adequate resources and a potential future market or a development opportunity in the Company, and where the intention is to produce, market or employ the project, have been recognised as intangibles provided that the cost can be stated reliably and that there is sufficient certainty that future earnings will cover the production and selling costs, the administrative expenses as well as the actual development costs. Other development costs are recognised in the income statement as paid.

Capitalised development costs are measured at cost less accumulated amortisation or at a lower recoverable amount.

Capitalised development costs are amortised on a straight-line basis after the completion of the project over the estimated useful economic life. The amortisation period is 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

Depreciation is provided on a straight-line basis over the expected useful lives of the assets.

Buildings	15-30 years
Plant and machinery	4-12 years
Other fixtures and fittings, tools and equipment	3-12 years
Leasehold improvements	10 years

Profits and losses derived from the disposal of property, plant and equipment are stated as the difference between the selling price less selling expenses and the carrying amount at the time of selling. Profits or losses are recognised in the income statement as an adjustment to depreciation and impairment losses or under other operating income to the extent that the selling price exceeds the original cost.

Leases

Leases for property, plant and equipment, where the Company has all substantial risks and benefits inherent in the ownership (finance leases), are initially measured in the balance sheet at the lower of fair value and present value of future lease payments. In calculating the present value, the internal interest rate of the lease or the alternative borrowing rate is used as a discounting factor. Financially leased assets are subsequently treated as the Company's other non-current assets.

The capitalised residual lease commitment is recognised in the balance sheet as a payable, while the interest component of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Rental payments made under operating leases and other leases are recognised in the income statement over the term of the leases. The Company's total operational lease commitments are stated under contingencies etc.

Impairment of non-current assets

The carrying amount of intangibles and property, plant and equipment is reviewed annually to determine whether there is any indication of impairment exceeding the write-downs in connection with general amortisation and depreciation. If any such indication exists, an impairment test will be carried out to determine whether the recoverable amount is lower than the carrying amount, and a write-down to this lower recoverable amount will be made. This impairment test is conducted on an annual basis of in-progress development projects, irrespective of whether or not there is any indication of impairment.

The recoverable amount of the asset is determined as the higher of the net selling price and its value in use. If the recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Accounting policies

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured according to the equity method, which means that the investments are measured at the proportionate share of the equity value of the companies plus or less non-amortised positive and negative consolidated goodwill, respectively, and plus or less unrealised intercompany gains and losses.

Subsidiaries and associates with a negative equity value are measured at zero value, and any receivables from these companies are written down by the parent company's share of the negative equity value insofar as they are deemed uncollectible. If the negative equity value exceeds the receivables, the remaining amount is recognised under provisions to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the company in question.

Net revaluation of investments in subsidiaries and associates is transferred to the net revaluation reserve to the extent the carrying amount exceeds the cost.

Inventories

Inventories are measured at cost using the FIFO method or the net realisable value for the individual product line, whichever is lower. The net realisable value of inventories is calculated as the selling price less the costs of completion and costs incurred to execute the sale and determined with due consideration of marketability, obsolescence and movements in the expected selling price.

The cost of goods for resale, raw materials and consumables comprises the cost price plus delivery costs.

The cost of manufactured finished goods and work in progress comprises the cost of raw materials, consumables, direct labour costs and indirect production costs. Indirect production costs comprise indirect materials and labour costs as well as maintenance of the machinery, factory buildings and equipment used in the manufacturing process and the cost of administration and management of factories.

Receivables

Receivables are measured at amortised cost or at net realisable value, if lower, calculated on the basis of an individual assessment of each receivable.

Prepayments

Prepayments under assets comprise paid-up expenses relating to the subsequent financial year.

Accounting policies

Contract work in progress

Contract work in progress is recognised based on an actual assessment using either the percentage of completion method or the sales method.

Contract work in progress recognised according to the percentage of completion method is measured at the sales value of the work performed less work invoiced on account and expected losses. Contract work in progress is i.a. characterised by a high degree of individualisation with regard to design. It is also a requirement that a binding contract is signed before the work is begun.

The selling price is measured based on the stage of completion at the balance sheet date and the total expected revenue from the individual contract. The stage of completion is determined based on an assessment of the work performed, normally calculated as the relation between the costs paid and the total, expected costs for the contract in question.

When it is probable that the total costs will exceed the total revenue, the expected loss on the contract is immediately recognised as an expense.

Contracts where the selling price of the work performed exceeds the amounts invoiced on account and expected losses are entered under Receivables. Contracts where the amounts invoiced on account and the expected losses exceed the selling price are recognised as a liability.

Contract work in progress which does not fulfil the requirements for recognition according to the percentage of completion method is recognised according to the sales method.

Proposed dividend

Dividend is recognised as a liability at the time of approval by the general meeting.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of an event occurring on or before the balance sheet date and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranty commitments are measured at net realisable value and include provisions for general and expected specific warranty commitments.

Liabilities other than provisions

Payables to mortgage banks and credit institutions are recognised initially at the proceeds received net of transaction expenses incurred. Financial liabilities other than provisions are subsequently measured at amortised cost, corresponding to the capitalised value, using the effective interest rate so that differences between the proceeds and the nominal value are recognised in the income statement as financial income and expenses, net, over the period of the borrowing.

Accounting policies

Liabilities other than provisions, which comprise trade payables and payables to Group companies and associates and other payables, are measured at amortised cost, which usually equals the nominal debt.

Tax and deferred tax

Under the joint taxation rules, the subsidiaries' liability to the tax authorities for their own corporation taxes is settled concurrently with the payment of the joint taxation contributions to the management company.

Joint taxation contributions payable and receivable are recognised in the balance sheet under balances with Group companies.

Deferred tax is measured under the balance sheet liability method comprising all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the value at which they are expected to be utilised either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax unit and jurisdiction.

Deferred tax is measured in accordance with the tax rules and tax rates in the various countries that will apply under the legislation in force at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Segment information

The segment information follows the Group's accounting policies, risks and management control.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for changes in the working capital, non-cash operating items such as amortisation/depreciation and write-downs and liabilities. The operating capital comprises current assets less short-term liabilities other than provision excluding the entries included in cash and cash equivalents as well as interest-bearing items.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment and investments.

Accounting policies

Cash flows from financing activities

Cash flows from financing activities comprise the raising and repayment of long-term liabilities other than provisions as well as payments to and repayments from the shareholders.

Cash and cash equivalent

Cash and cash equivalents comprise the entries "Cash" under current assets. The cash flow statement cannot be derived solely on basis of the public accounting material.

Explanation of financial ratios

Gross margin ratio	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	=	$\frac{\text{Profit/loss before net financials} \times 100}{\text{Revenue}}$
Return on capital employed	=	$\frac{\text{Profit/loss before net financials} \times 100}{\text{Total assets}}$
Equity ratio	=	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets}}$
Return on equity	=	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

Income statement for 1 January to 31 December

	Note	Group		Parent company	
		2013	2012	2013	2012
		DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Revenue	1	722,644	758,066	0	0
Production costs	20	<u>(628,863)</u>	<u>(644,118)</u>	<u>0</u>	<u>0</u>
Gross profit/(loss)		93,781	113,948	0	0
Distribution costs	20	(72,433)	(89,172)	0	0
Administrative expenses	19,20	<u>(82,330)</u>	<u>(116,071)</u>	<u>(5,059)</u>	<u>(671)</u>
Profit/(loss) on ordinary operating activities		(60,982)	(91,295)	(5,059)	(671)
Other operating income	2	8,199	8,622	0	8,304
Other operating expenses	2	<u>(21,473)</u>	<u>(5,856)</u>	<u>0</u>	<u>(1,083)</u>
Profit/(loss) before net financials		(74,256)	(88,529)	(5,059)	6,550
Share of profit/(loss) in subsidiaries after tax	3	0	0	(64,868)	(78,759)
Share of profit/(loss) in associates after tax	4	122	520	0	0
Financial income	5	7,862	6,703	8,303	8,729
Financial expenses	6	<u>(14,158)</u>	<u>(15,042)</u>	<u>(7,876)</u>	<u>(10,143)</u>
Profit/(loss) before tax		(80,430)	(96,348)	(69,500)	(73,623)
Tax on the profit/(loss) for the year	7	<u>8,790</u>	<u>18,347</u>	<u>(2,140)</u>	<u>1,412</u>
Profit/(loss) for the year		<u>(71,640)</u>	<u>(78,001)</u>	<u>(71,640)</u>	<u>(72,211)</u>
Proposal for appropriation of loss					
Net revaluation reserve according to the equity method				0	0
Retained earnings				<u>(71,640)</u>	<u>(72,211)</u>
				<u>(71,640)</u>	<u>(72,211)</u>

Balance sheet at 31 December

Assets

	Note	Group		Parent company	
		2013	2012	2013	2012
		DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Completed development projects		17,624	23,397	5,982	0
Development projects in progress		3,596	5,124	0	0
Group goodwill		20,658	21,824	0	0
Intangibles	8	41,878	50,345	5,982	0
Land and buildings		4,909	5,320	0	0
Plant and machinery		27,149	33,066	0	0
Other fixtures and fittings, tools and equipment		2,432	2,876	0	0
Leasehold improvements		3,906	5,180	0	0
Property, plant and equipment under construction		3,330	908	0	0
Property, plant and equipment	9	41,726	47,350	0	0
Investments in subsidiaries	10	0	0	26,850	69,235
Investments in associates	11	1,327	1,704	0	0
Deposits		507	8,395	0	0
Other receivables		0	2,118	0	0
Investments		1,834	12,217	26,850	69,235
Total non-current assets		85,438	109,912	32,832	69,235
Raw materials and consumables		39,105	27,211	0	0
Work in progress		20,702	25,142	0	0
Finished goods and goods for resale		9,263	7,008	0	0
Inventories		69,070	59,361	0	0
Trade receivables		157,795	134,908	0	0
Contract work in progress	12	123,082	97,646	0	0
Receivables from Group companies		0	0	83,222	71,435
Receivables from associates		0	38	0	0
Deferred tax	16	17,170	11,861	1,277	1,412
Other receivables		12,275	4,431	1,601	0
Deposits		3,015	12,190	0	0
Prepayments	13	5,585	6,494	0	0
Receivables		318,922	267,568	86,100	72,847
Cash		58,383	42,547	186	15,323
Total current assets		446,375	369,476	86,286	88,170
Total assets		531,813	479,388	119,118	157,405

Balance sheet at 31 December

Liabilities and equity

	Note	Group		Parent company	
		2013	2012	2013	2012
		DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Share capital		106,000	353,654	106,000	353,654
Net revaluation reserve according to the equity method		468	845	0	0
Retained earnings		(62,416)	(249,046)	(61,948)	(248,201)
Equity	14	44,052	105,453	44,052	105,453
Deferred tax	16	6,020	0	0	0
Provisions for warranty commitments	15	3,153	6,937	0	0
Provisions		9,173	6,937	0	0
Lease commitment		9,177	14,443	0	0
Non-current liabilities other than provisions	17	9,177	14,443	0	0
Credit institutions		56,795	1,426	55,662	0
Current portion of lease commitment	17	5,522	4,486	0	0
Contract work in progress	12	107,583	75,108	0	0
Trade payables		181,391	125,977	0	0
Payables to Group companies		0	37,394	5,170	51,685
Joint taxation contribution payable		0	557	0	0
Other payables		118,120	107,607	14,234	267
Current liabilities other than provisions		469,411	352,555	75,066	51,952
Liabilities other than provisions		478,588	366,998	75,066	51,952
Total liabilities and equity		531,813	479,388	119,118	157,405
Contingencies and other liabilities	18				
Remuneration for auditors elected by the annual general meeting	19				
Employees	20				
Related parties and ownership structure	21				
Financial resources	22				

Statement of changes in equity

Group

	Share capital	Net revaluation according to the equity method	Retained earnings	Total
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Equity at 1 January 2012	353,654	663	(180,245)	174,072
Transferred via allocation of profit/(loss)	0	520	(78,521)	(78,001)
Other adjustments	0	0	279	279
Translation adjustment relating to forward exchange contracts at market value, 1 January	0	0	(1,031)	(1,031)
Deferred tax on financial contracts, 1 January	0	0	257	257
Translation adjustment relating to forward exchange contracts at market value, 31 December	0	0	10,941	10,941
Deferred tax on financial contracts, 31 December	0	0	(2,734)	(2,734)
Dividend	0	(181)	181	0
Foreign currency translation adjustment relating to foreign Group companies	0	(157)	1,525	1,368
Other adjustments	0	0	302	302
Equity at 1 January 2013	353,654	845	-249,046	105,453
Capital decrease	(247,654)	0	247,654	0
Group contribution	0	0	16,699	16,699
Translation adjustment relating to forward exchange contracts at market value, 31 December	0	0	(2,006)	(2,006)
Deferred tax on financial contracts, 31 December	0	0	501	501
Transferred via allocation of profit/(loss)	0	122	(71,762)	(71,640)
Foreign currency translation adjustment relating to foreign Group companies	0	(370)	(4,609)	(4,979)
Dividend	0	(129)	129	0
Other adjustments	0	0	24	24
Equity at 31 December 2013	106,000	468	(62,416)	44,052

Statement of changes in equity

Parent company

	Share capital	Net revaluation according to the equity method	Retained earnings	Total
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Equity at 1 January 2012	353,654	1,000	(179,582)	174,072
Transferred via allocation of profit/(loss)	0		(72,211)	(72,211)
Other adjustments	0	0	280	280
Translation adjustment relating to forward exchange contracts at market value, 1 January	0	0	(1,031)	(1,031)
Deferred tax on financial contracts, 1 January	0	0	257	257
Translation adjustment relating to forward exchange contracts at market value, 31 December	0	0	3,220	3,220
Deferred tax on financial contracts, 31 December	0	0	(804)	(804)
Foreign currency translation adjustment relating to foreign Group companies	0	0	302	302
Other adjustments	0	0	1,368	1,368
Equity at 1 January 2013	353,654	0	(248,201)	105,453
Capital decrease	(247,654)	0	247,654	0
Group contribution	0	0	16,699	16,699
Translation adjustment relating to forward exchange contracts at market value, 31 December	0	0	(2,006)	(2,006)
Deferred tax on financial contracts, 31 December	0	0	501	501
Transferred via allocation of profit/(loss)	0	0	(71,640)	(71,640)
Foreign currency translation adjustment relating to foreign Group companies	0	0	(4,979)	(4,979)
Other adjustments	0	0	24	24
Equity at 31 December 2013	106,000	0	61,948	44,052

Cash flows for the Group for the period 1 January - 31 December

	<u>Note</u>	<u>2013</u> DKK 1,000	<u>2012</u> DKK 1,000
Profit/loss for the year before tax		(80,430)	(96,348)
Adjustments	23	41,017	43,432
Changes in working capital	24	<u>17,798</u>	<u>37,160</u>
Cash flows from operations (operating activities before financial income and expenses)		<u>(21,615)</u>	<u>(15,756)</u>
Financial income and expenses		<u>(6,296)</u>	<u>(8,339)</u>
Cash flows from operations (operating activities)		<u>(27,911)</u>	<u>(24,095)</u>
Corporation tax paid		(2,364)	(54)
Joint taxation contribution received		<u>0</u>	<u>20,044</u>
Cash flows from operating activities		<u>-30,275</u>	<u>-4,105</u>
Acquisition of property, plant and equipment		(3,838)	(4,515)
Disposal of property, plant and equipment		183	159
Acquisition of intangible assets		(1,502)	(7,407)
Disposal of subsidiaries		0	16,266
Dividend, investments (net excl. tax)		<u>129</u>	<u>181</u>
		<u>(5,028)</u>	<u>4,684</u>
Cash flows from investing and operating activities		<u>(35,303)</u>	<u>579</u>
Repayment of lease commitments		(4,230)	(4,339)
Change in bank debt		<u>55,369</u>	<u>(14,817)</u>
Cash flows from financing activities		<u>51,139</u>	<u>(19,156)</u>
Net cash flows for the year		15,836	(18,577)
Cash and cash equivalents at 1 January		<u>42,547</u>	<u>61,124</u>
Cash and cash equivalents at 31 December		<u>58,383</u>	<u>42,547</u>

Notes to the Annual Report

1 Revenue

	Group		Parent company	
	2013	2012	2013	2012
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Business areas				
Buildings and industrials	181,181	211,584	0	0
Marine	310,714	387,241	0	0
Offshore	230,749	159,241	0	0
	722,644	758,066	0	0

2 Other operating income and expenses

Other operating income

Profit on sale of property, plant and equipment	0	140	0	0
Reversed environmental cost	4,000	0	0	0
Profit on disposal of operations	3,328	8,304	0	8,304
Other operating income	871	178	0	0
	8,199	8,622	0	8,304

Other operating expenses

Loss regarding rent agreement	(21,032)	0	0	0
Other operating expenses	(441)	(5,856)	0	(1,083)
	(21,473)	(5,856)	0	(1,083)

Notes to the Annual Report

3 Share of profit/(loss) in subsidiaries

	Group		Parent company	
	2013	2012	2013	2012
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Profit/(loss) in subsidiaries after tax	0	0	(63,699)	(50,200)
Write-down of group goodwill	0	0	0	(25,002)
Amortisation of group goodwill	0	0	(1,169)	(3,557)
	0	0	(64,868)	(78,759)

4 Share of profit/(loss) in associates

Interest income relating to associates	122	520	0	0
	122	520	0	0

5 Financial income

Interest income relating to Group companies	0	0	1,036	275
Other financial income	1,657	1,552	1,062	318
Exchange rate adjustment	6,205	5,151	6,205	8,136
	7,862	6,703	8,303	8,729

6 Financial expenses

Interest expenses relating to Group companies	0	(311)	(254)	(311)
Other financial expenses	(2,225)	(2,534)	(733)	(193)
Exchange rate adjustment	(11,933)	(12,197)	(6,889)	(9,639)
	(14,158)	(15,042)	(7,876)	(10,143)

7 Corporation tax

Current tax for the year	(721)	(1,962)	0	0
Adjustment regarding previous years	(2,641)	593	(3,044)	0
Deferred tax for the year	12,911	19,716	904	1,412
Adjustment regarding change in tax rate	(759)	0	0	0
Total tax for the year	8,790	18,347	(2,140)	1,412
Tax on the profit/(loss) for the year	8,790	18,347	(2,140)	1,412
Tax on changes in equity	(501)	(2,477)	0	0
	8,289	15,870	(2,140)	1,412

Notes to the Annual Report

8 Intangibles

Group

	Completed development projects	Development projects in progress	Group goodwill
	DKK 1,000	DKK 1,000	DKK 1,000
Cost at 1 January	47,551	5,124	71,132
Additions during the year	0	1,502	0
Transferred	3,029	(3,029)	0
Cost at 31 December	50,580	3,596	71,132
Impairment losses and amortisation at 1 January	(24,154)	0	(49,305)
Amortisation for the year	(7,455)	0	(1,169)
Impairment losses	(1,347)	0	0
Impairment losses and amortisation at 31 December	(32,956)	0	(50,474)
Carrying amount at 31 December	17,624	3,584	20,658
Amortised over	5 years	-	20 years
	2013	2012	
	DKK 1,000	DKK 1,000	
Impairment losses and amortisation of intangibles are recognised in the income statement under the following items:			
Production costs	7,454	7,161	
Administration costs	1,169	28,559	
	8,623	35,720	

Notes to the Annual Report

8 Intangibles (continued)

Parent company

	Completed development projects
	DKK 1,000
Cost at 1 January	0
Transferred	12,795
Cost at 31 December	12,795
Impairment losses and amortisation at 1 January	0
Transferred	(6,813)
Impairment losses and amortisation at 31 December	(6,813)
Carrying amount at 31 December	5,982
Amortised over	5 years

	2013
	DKK 1,000
Impairment losses and amortisation of intangibles are recognised in the income statement under the following items:	
Production costs	0
Administration costs	0
	0

Notes to the Annual Report

9 Property, plant and equipment

Group

	Land and buildings	Plant and ma- chinery	Other fixtures, fittings, tools and equipment	Leasehold improve- ments	Property, plant and equipment under construction
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Cost at 1 January	14,323	77,746	22,273	8,501	908
Translation adjustment at year-end rate	1	19	442	50	0
Additions during the year	0	180	957	80	2,621
Disposals during the year	0	(271)	(473)	(81)	(28)
Transferred	0	0	0	171	(171)
Cost at 31 December	14,324	77,675	23,199	8,721	3,330
Impairment losses and depreciation at 1 January	(9,003)	(44,680)	(19,397)	(3,321)	0
Translation adjustment at year-end rate	0	(43)	(612)	(11)	0
Depreciation for the year	(411)	(6,073)	(1,231)	(1,506)	0
Disposals during the year	0	0	473	23	0
Impairment losses and depreciation on assets disposed of	0	271	0	0	0
Impairment losses and depreciation at 31 December	(9,414)	(50,525)	(20,767)	(4,815)	0
Carrying amount at 31 December	4,909	27,149	2,432	3,906	3,330
Depreciated over	15-30 years	4-12 years	3-12 years	10 years	
Of which financially leased assets	0	22,938	0	0	0
				2013	2012
				DKK 1,000	DKK 1,000
Impairment losses and depreciation of property, plant and equipment are recognised in the income statement under the following items:					
Production costs				6,020	5,903
Administrative expenses				3,201	3,363
				9,221	9,266

Notes to the Annual Report

10 Investments in subsidiaries

	Parent company	
	2013	2012
	DKK 1,000	DKK 1,000
Cost at 1 January	337,487	352,612
Disposals during the year	0	(35,125)
Tax-free group grant	28,944	0
Additions during the year	0	20,000
Cost at 31 December	366,431	337,487
Revaluations at 1 January	(218,947)	(208,444)
Other adjustments	25	581
Foreign currency translation adjustment	(4,979)	1,368
Værdireguleringer af valutaterminskontrakter til markedsværdi	(2,006)	2,189
Profit/(loss) for the year	(63,701)	(50,200)
Disposals during the year	0	36,106
Udskudt skat af finansielle kontrakter	501	(547)
Value adjustments at 31 December	(289,107)	(218,947)
Amortisation and impairment at 1 January	(49,305)	(20,746)
Impairment of goodwill	0	(25,002)
Amortisation of goodwill	(1,169)	(3,557)
Amortisation and impairment at 31 December	(50,474)	(49,305)
Carrying amount at 31 December	26,850	69,235

Investments in subsidiaries can be specified as follows:

Name	Registered office	Share capital	Voting share and ownership interest
Novenco A/S	Naestved, Denmark	mDKK40	100%
Novenco Marine & Offshore A/S	Naestved, Denmark	mDKK6,0	100%
NATBI A/S	Naestved, Denmark	mDKK0,5	100%

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the Annual Report

11 Investments in associates

	Group	
	2013	2012
	DKK 1,000	DKK 1,000
Cost at 1 January	859	859
Disposals during the year	0	0
Cost at 31 December	859	859
Revaluations at 1 January	845	663
Foreign currency translation adjustment	(370)	(157)
Profit/(loss) for the year	122	520
Distributed dividend	(129)	(181)
Value adjustments at 31 December	468	845
Carrying amount at 31 December	1,327	1,704

Investments in subsidiaries can be specified as follows:

Name	Registered office	Share capital	Voting share and ownership interest
Novenco Nippon Ltd.	Kobe, Japan	MJPY 110	22,73%

All foreign associates are recognised and measured as separate entities.

Notes to the Annual Report

12 Contract work in progress

	Group	
	2013	2012
	DKK 1,000	DKK 1,000
Contract work in progress		
Contract work in progress included under assets	123,082	97,646
Contract work in progress included under liabilities and equity	(107,583)	(75.108)
Net value	15,499	22,538

13 Prepayments

Prepayments are prepaid expenses relating to rent, IT support, IT licenses, and royalties etc.

14 Equity

	2013	2012	2011	2010	2009
Share capital, 1 January	353,654	353,654	353,654	353,654	193,654
Capital increase	0	0	0	0	160,000
Capital decrease	(247,654)	0	0	0	0
Share capital, 31 December	106,000	353,654	353,654	353,654	353,654

The share capital consists of 106,000,000.00 shares. The share capital has not been divided into classes.

Notes to the Annual Report

15 Provisions for warranty commitments

NovCo Holding II A/S and its subsidiaries have normal warranty commitments in connection with deliveries of goods and services.

	Group	
	2013	2012
	DKK 1,000	DKK 1,000
Provisions for warranty commitments		
Other provisions 1 January	6,937	7,209
Used during the year	(13,994)	(16,031)
Reversal	(8,814)	(878)
Provided during the year	19,024	16,637
	3,153	6,937

16 Deferred tax

	Group		Parent company	
	2013	2012	2013	2012
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Goodwill	(46)	134	0	0
Equipment	(1,380)	(3,153)	0	0
Leasehold improvements	310	4,732	0	0
Leasehold assets	3,234	213	0	0
Capitalised development costs	(1,286)	(7,130)	0	0
General warranty provisions	626	1,650	0	0
Recognised profit on payments received on account	(15,007)	(10,733)	0	0
Financial contracts	3,908	(453)	0	0
Provision for bad debt losses	(68)	81	0	0
Pension obligations	(136)	(594)	0	0
Capitalised tax loss	20,952	27,111	1,277	1,412
Other adjustments	43	3	0	0
	11,150	11,861	1,277	1,412
Deferred tax included under assets	17,170	11,861	1,277	1,412
Deferred tax included under liabilities	(6,020)	0	0	0
	11,150	11,861	1,277	1,412

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17 Liabilities other than provisions (lease commitment)

Liabilities other than provisions fall due as follows:

	Group		Parent company	
	2013	2012	2013	2012
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Within 1 year	5,522	4,486	0	0
Between 1 and 5 years	9,177	14,443	0	0
	14,699	18,929	0	0
Lease commitments				
Within 1 year	5,522	4,486	0	0
Between 1 and 5 years	9,177	14,443	0	0
	14,699	18,929	0	0

18 Contingencies and other liabilities

The following binding agreements, falling due within 5 years, have been concluded:

	Group		Parent company	
	2013	2012	2013	2012
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Rental obligations	41,731	166,038	27,626	0
Operating leases	8,147	14,210	0	0
IT contracts	4,176	4,304	0	0
Other supplier agreements	14,065	41,303	0	0
Total liabilities	68,119	225,855	27,626	0
Annual rent/lease payments amount to	31,882	39,982	8,500	0

Bank guarantees

Novenco A/S and Novenco Marine and Offshore A/S have given customers warranties on goods sold, and such warranties amount to DKK 41,845,049.

The parent company has provided guarantees for subsidiary's commitments to Skandinaviska Enskilda Banken, Danmark.

Notes to the Annual Report

Joint taxation

Novco Holding II A/S is jointly taxed with the Danish subsidiaries of Novenco Hak Group. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. The Group as a whole is not liable to others.

19 Remuneration for auditors elected by the annual general meeting

	Group		Parent company	
	2013	2012	2013	2012
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Auditors	989	1,129	35	34
Assurance statements	0	120	0	0
Tax consultancy	115	43	0	0
Non-audit services	724	339	138	38
	1,828	1,631	173	72

20 Employees

	Group	
	2013	2012
	DKK 1,000	DKK 1,000
Wages and salaries	174,133	194,136
Pension	14,416	14,428
Other social security costs	11,656	11,536
	200,205	220,100
Charged to the income statement as follows:		
Production costs	63,988	78,332
Distribution costs	79,129	75,504
Administrative expenses	57,088	66,264
	200,205	220,100
Executive Board	3,466	2,812
Board of Directors	100	300
	3,566	3,112
Average number of employees	529	535

Notes to the Annual Report

21 Related parties and ownership structure

Controlling interest

Novenco HAK A/S, Tuborg Havnevej 19, DK-2900 Hellerup, Denmark.

Basis

Principal shareholder

Ownership structure

The following shareholders are recorded in the Company's register of shareholders as holding at least 5 percent of the votes or at least 5 percent of the share capital:

Novenco HAK A/S, Tuborg Havnevej 19, DK-2900 Hellerup, Denmark.

The consolidated financial statements are available at the Company's address.

22 Financial resources

The Company has lost more than half of the share capital and is thereby affected by the rules regarding capital loss according to the Danish Companies Act. Management considers the financial resources to be adequate to carry out the plans and activities budgeted for 2014. The new owner of NovCo Holding II A/S has during the second half of 2013 provided the Group with overdraft facilities to support the activities of the Group. The overdraft facilities will, however, expire at 3 December 2014, and it is therefore fundamental to ensure going concern that the Group at all levels will realise the positive net cash flow according to the budget.

23 Adjustments, cash flow statement

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	DKK 1.000	DKK 1.000
Profit/loss in associates after tax	(122)	(520)
Depreciation for accounting purposes on property, plant and equipment	9,223	9,266
Write-down for accounting purposes on intangible assets	1,347	25,002
Amortisation for accounting purposes on intangible assets	8,620	10,718
Accounting gain/loss on property, plant and equipment	58	144
Accounting loss on deposits	8,395	0
Financial income and expenses	6,296	8,339
Change in provisions, contract work in progress etc.	15,264	(272)
Disposal of subsidiary	0	(8,304)
Other adjustments	(8,064)	(941)
	<u>41,017</u>	<u>43,432</u>

24 Changes in working capital, cash flow statement

	Group	
	2013	2012
	DKK 1.000	DKK 1.000
Change in receivables	(19,036)	10,092
Change in inventories, work in progress	(21,718)	(9,908)
Change in trade and other payables, etc.	65,927	9,861
Change in amounts owed to group enterprises	(7,375)	27,115
	17,798	37,160