

NovCo Holding II A/S

CVR no. 29 32 04 97

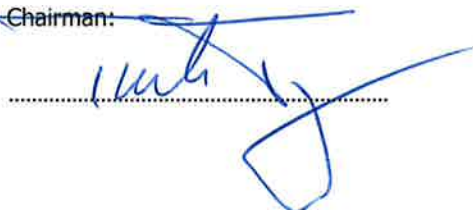
Annual report 2014

Approved at the Company's annual general meeting on

18 May

2015

Chairman:



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Group Chart	6
Financial highlights for the Group	7
Consolidated financial statements and parent company financial statements for the period 1 January – 31 December	13
Accounting policies	13
Income statement	21
Balance sheet	22
Statement of changes in equity	24
Cash flow statement	26
Notes to the financial statements	27

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of NovCo Holding II A/S for the financial year 1 January – 31 December 2014.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2014 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2014.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

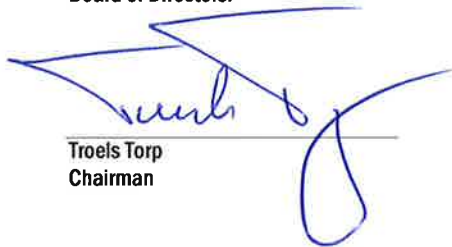
Naestved, February 23, 2015

Executive Board:



Ole Jensen

Board of Directors:



Troels Torp
Chairman

Chansoo Park

Ole Jensen

Independent auditors' report

To the shareholders of NovCo Holding II A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of NovCo Holding II A/S for the financial year 1 January – 31 December 2014, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company 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 parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires 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 parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company 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 parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2014 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January – 31 December 2014 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 as of February 5, 2015 due to subsequent events share capital has been lost and the equity is negative. Management expects that the equity will be re-established by the profit of Novenco Marine & Offshore A/S in the next 1-2 years. It also appears that the basis for continued operations is conditioned upon realisation of a positive cash flow according to the budget and the maintenance of existing credit facilities. Management believes that the financial resources are adequate to carry out the plans and activities budgeted for 2015, and consequently the consolidated financial statements and the parent company financial statements have been prepared on a going concern basis.

Independent auditors' report

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 parent company 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 parent company financial statements.

Copenhagen, February 23, 2015
ERNST & YOUNG
Godkendt Revisionspartnerselskab



Peter Gath
State Authorised
Public Accountant



Lisa Hagedorn
State Authorised
Public Accountant

Management's review

Company details

Name	NovCo Holding II A/S
Address, zip code, city	Industrivej 22, DK-4700 Naestved, Denmark
CVR no.	29 32 04 97
Established	2 February 2006
Registered office	Naestved, Denmark
Financial year	1 January - 31 December (9th financial year)
Telephone	+45 70 11 66 63
Fax	+45 33 47 66 63
Board of Directors	Troels Torp, Chairman Chansoo Park Ole Jensen
Executive Board	Ole Jensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmut Vej 4, DK-2000 Frederiksberg, Denmark

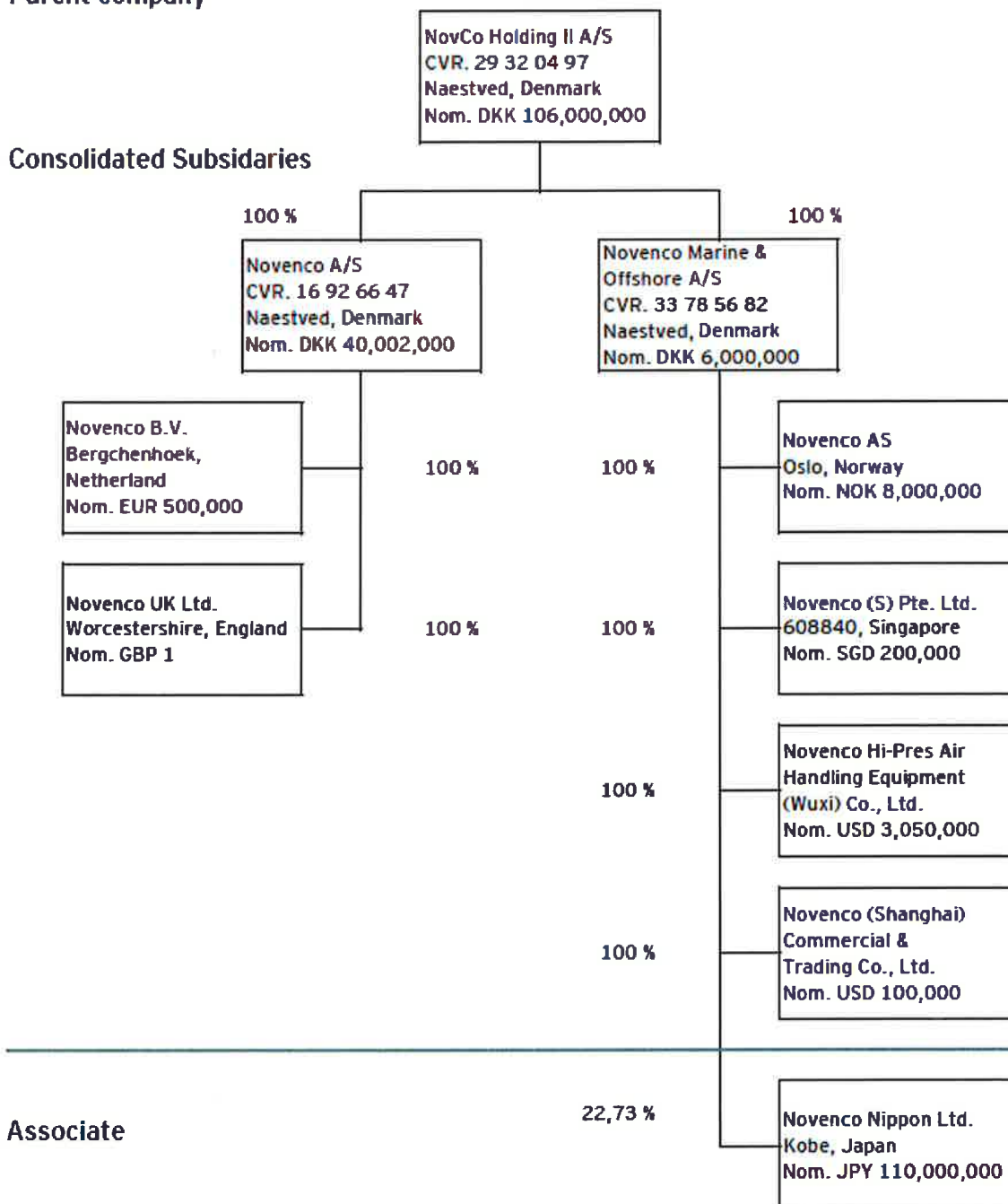
Management's review

Group Chart

Group Chart

Parent company

Consolidated Subsidiaries



Management's review

Financial highlights for the Group

TDKK	2014	2013	2012	2011*	2010
Key figures					
Revenue	963,257	772,644	758,066	704,339	687,040
Profit/loss on ordinary operating activities	-29,205	-60,982	-91,295	-52,196	-75,966
Profit/loss before net financials	-29,593	-74,256	-88,529	-6,867	-78,495
Net financials	-4,807	-6,174	-7,819	-2,654	1,301
Profit/loss for the year	-39,664	-71,640	-78,001	-533	-58,161
Total assets					
Equity	570,693	531,813	479,388	509,025	510,736
	4,417	44,052	105,453	174,072	173,992
Cash flows					
Cash flows from					
- operating activities	6,363	-30,275	-4,105	-63,030	-32,543
- investing activities	-3,954	-5,157	4,503	61,431	-12,977
- financing activities	61,872	51,268	-18,975	13,949	-55,653
Deviation for the year in cash and cash equivalents	64,281	15,836	-18,577	12,350	-101,173
Financial ratios					
Gross margin	12.4	13.0	15.0	16.0	13.6
Operating margin	-3.1	-10.3	-11.7	-1.0	-11.4
Return on capital employed	-5.2	-14.0	-18.5	-1.3	-15.4
Equity ratio	0.8	8.3	22.0	34.2	34.1
Return on equity	-163.7	-95.8	-55.8	-0.3	-29.2
Average number of full-time employees					
	599	568	535	637	557

Please see the definitions in the section on accounting policies.

Management's review

The Annual Report of NovCo Holding II A/S for 2014 has been presented in accordance with the provisions of the Danish Financial Statements Act governing large reporting class C enterprises.

The financial statements and consolidated financial statements have been prepared applying the same accounting policies as last year.

The consolidated financial statements of NovCo Holding II A/S include the Novenco Marine & Offshore A/S including Group companies and Novenco A/S including Group companies.

Principal activity

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

On July 10, 2013 Novenco HAK ApS acquired the majority control of NovCo Holding II A/S, including the companies Novenco A/S and Novenco Marine & Offshore A/S with subsidiaries. HiAir Korea Co. Ltd. is the dominant shareholder of Novenco HAK ApS.

In 2014, the inactive companies Novenco Marine A/S and NATBI A/S were liquidated.

On the 5 February 2015, NovCo Holding II A/S has sold the shares in Novenco A/S including the subsidiaries Novenco B.V in the Netherlands and Novenco UK Ltd. in England to an industrial buyer.

Hereafter, the Group are a global supplier with own development, production and sale of ventilation products and systems for marine and offshore purposes. The Group has 67 years of experience in the ventilation industry.

Development during the year

Marine & Offshore

The Group largest business areas – the marine and offshore division including Merchant, Special Vessels, Cruise & Ferries and After sales - have all taken our revenue to a substantial higher level than in previous years. All business areas have satisfactorily contributed to the growth in revenue. The growth is especially significant within Cruise-, Special Vessel-, and Offshore market as a result of our increased focus.

From a geographical market perspective it is among other countries especially South Korea, which is heading us forward after a successful entry in to one of the largest markets in the world. For Merchant ships, we are maintaining a strong position in the important Chinese market, and we are ready for further growth in China from other market segments as Special Vessel and Offshore. Our Italian office developed further, which is engaging us to establish our own legal entity within 2015.

We have experienced an onerous project in 2014, which has caused a loss of approximately DKK 20 million. The project was a turnkey project within Offshore, and the loss was caused by a combination of unintended calculating errors and a challenging installation phase. We do not have projects with similar complexity in our backlog.

Despite this specific onerous project, the marine & offshore division has increased the gross margin ratio with 2.3 percent point driven especially by high competences in our technical- and project execution departments, where we successfully have positioned the division to the next higher level. This shows the high importance of our global project execution tools, where the marine & offshore division has established transparency and "One Novenco" across borders enabling global project teams from all our sites to work together.

Our order intake in 2014 within the marine & offshore division has been according to expectations, and we have started 2015 with a good and healthy backlog, which is supporting our positive outlook for 2015.

For 2015, we are expecting a profit before tax between DKK 25-35 million in the marine & offshore division based on our backlog and on launching and executing several initiatives to achieve improved competitiveness.

The change in oil price is affecting our business areas. There is for the time being reasonable activity in the market except for the Offshore market. The change in oil price is not expected to significantly impact our activity level and result for 2015, but could influence the order intake in 2015 and consequently the size of our backlog by the end of 2015.

Although we still expect steady markets with a small upwards trend for Merchant, Cruise, Ferry and Aftermarket, while Offshore rigs is decreasing and supply/drilling ships within Special Vessel for the Offshore industry is expected to decrease later in 2016.

Management's review

The ventilation business area

The past years has been very challenging years for the ventilation division with low activity in the main markets. The market activity was expected to increase during 2014, but came very late in the year, mainly impacting the second half year of 2014, too late to reach this year's budgeted revenue.

The division's order intake nearly reached the level of 2013, which was impacted by discontinued activities, leaving the division with a like-for-like increased order backlog at the end of 2014 compared to the previous year, mainly driven by an increased sale of low emission fans to existing and new customer segments.

The target area with sale of ventilation products to other industries than the building and construction sectors has been strengthened through 2014, and is expected to increase and enhance the divisions's earnings in 2015 and onwards.

The restructuring of the company in December 2012 impacted the operation of the company during the year, making significant reductions to the overall costs. Further restructuring has been implemented during the year in order to reduce cost and increase profitability. The restructuring have impacted this year's result with one off costs in form of write downs on machinery and inventories etc. of DKK 12 million after tax.

NovCo Holding II A/S has decided to focus on its marine & offshore activities, and consequently on February 5, 2015 executed a divest of the ventilation division consisting of Novenco A/S, Denmark, Novenco B.V in the Netherlands and Novenco UK Ltd. in England.

Financial review

Profit/loss for the year

The NovCo Holding II Group reported revenues of DKK 963 million corresponding to a growth of DKK 241 million or 33.3 percent all relating to the marine & offshore division, while the ventilation division has realized a revenue drop of DKK (23) million or 12.9 percent.

Driven by the revenue growth within the marine & offshore division, the gross profit has increased by DKK 26 million corresponding an all-in-all unchanged gross margin ratio despite a negative impact from restructuring cost of DKK 12 million coming from impairment and write-down on equipment and machinery within the ventilation division. Furthermore the gross profit is negative impacted by an onerous turnkey project within the offshore business by round DKK (20) million.

While distribution costs has decreased by DKK 5 million or 7.3 percent coming especially from the divest of the air handling activities in 2013, the administrative costs are almost unchanged at DKK 81 million including restructuring cost of DKK 6 million.

The loss on ordinary operating activities amount to DKK (29) million in 2014 against a loss of DKK (61) million in 2013. However, the marine & offshore division has improved their result on ordinary operating activities from a loss of DKK (24) million in 2013 to a profit of DKK 15 million in 2014.

Profit/loss before tax amounts in 2014 to DKK (34) million corresponding an improvement of DKK 46 million – all relating to the marine & offshore division.

Despite the improvement in the profit/loss result, management considers the result as unsatisfactory based on realizing the outcome of the specific onerous project within the marine & offshore business and the continued significant loss within the ventilation division.

Balance sheet development

The parent company's balance sheet amounts to DKK 133 million at the end of 2014.

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

The equity stood at DKK 4 million at the end of 2014 corresponding to an equity ratio of 0.8 percent against 8.3 percent at the end of 2013.

Group provisions for warranty commitments amounted to DKK 8 million, which is regarded as adequate.

Management's review

Cash flow

Cash flow from operating activities amounts to DKK 6 million against DKK (30) million in 2013. The main driver for the improvement is relating to the higher profit in the marine & offshore division and to an improvement in the working capital especially within the inventories and contracted work in progress. Furthermore joint taxation receivables has contributed with DKK 16 million.

The cash flow from investments amounts to DKK (4) million compared with DKK (5) million – all relating to acquisition of equipment and machinery etc.

Due to an increase in bank debt, cash flow from financing activities amounts to DKK 62 million against DKK 51 million in 2013.

Cash and cash equivalents amounts at the end of 2014 to DKK 123 million or DKK 65 million higher than end of 2013 – primarily relating to the increase in bank debt.

Investments

No major investments have been made during the financial year.

Research and development

The Group's development efforts are concentrated on further development of existing products, particularly with regard to greater energy efficiency and new products which complement the Company's present product portfolio.

Financial resources

The equity stood at the end of December 2014 at DKK 4 million. On February 5, 2015, the Company has sold the shares in the ventilation division including Novenco A/S Denmark and its subsidiaries Novenco B.V in the Netherlands and Novenco UK Ltd. in England. The ventilation division has been loss-given for several years and financially supported by NovCo Holding. Due to the loss of this divestment, NovCo Holding has as of February 5, 2015 lost its share capital and has a negative equity. It is management's opinion, that the equity will be reestablished by earnings from the remaining business activities in Novenco Marine & Offshore in the next 1-2 years.

Based on the Novenco Marine & Offshore's execution of the existing volume of orders, NovCo Holding expects to realize a profit before tax of DKK 20-30 million for 2015, and consequently a positive cash flow, which also is expressed in the budget for 2015.

Management believes that existing credit facilities will be maintained, and the owner Novenco Hak ApS has also for 2015 mediated the Group with overdraft facilities to support the activities of the Group. Management considers on this basis the financial resources to be adequate to carry out the plans and activities budgeted for 2015.

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 2014 was DKK 123 million. In addition, the Group has a cash pool arrangement, where the following companies have participated – 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.

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.

Management's review

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.

As of January 1, 2015 Ole Jensen has replaced Steen Asferg Rasmussen as Group CEO and during 2014 two of the members of the Board elected by the shareholder have been replaced.

Ownership structure

At 31 December 2014, the entire share capital of the Group was owned by Novenco HAK ApS. The Group's ultimate, principal majority shareholder is Novenco HAK ApS where Hi-Air Korea Co. Ltd. is the dominant shareholder.

The work of the Board of Directors

In 2014, the Company held two Board meeting. The subsidiaries of the Holding Company conduct their own Board meetings.

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.

Events occurring after the end of the financial year

On February 5, 2015, NovCo Holding II A/S has sold of the shares in the Novenco A/S Group consisting of the ventilation activities with a significant loss and consequently a negative impact on the equity in NovCo Holding II A/S.

Due to the loss from this divestment, NovCo Holding II A/S has of Februar 5, 2015 lost its share capital and realized a negative equity. It is the management's opinion, that the equity and share capital will be re-established by the profit in Novenco Marine & Offshore A/S group in the next 1-2 years.

Objectives and outlook

After the divest of the ventilation division including Novenco A/S Denmark, Novenco B.V Netherlands and Novenco UK Ltd. in England at the 5 February 2015 with effect from 1 January 2015, the NovCo Holding Group consist purely of the marine & offshore activities.

At the onset of 2015, the Group has a considerable volume of orders.

The Group's strategy regarding efficiency enhancements will be continued and strengthened in 2015. This is expected to lead to a profit before tax of DKK 20-30 million.

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

Management's review

Corporate Social responsibility

NovCo Holding II A/S, which is globally operating in areas with different cultures, moral concepts, social conditions and behavioral norms, ensures high-level suppliers on health, safety and environment by a structural and focused selection.

The company has a dedicated health and safety organisation, which through a proactive and risk-based approach ensures to bring down number of work related accidents. The objective is zero, and the number of accidents is brought down from 17 accidents in 2013 to 9 accidents in 2014 on the factory in Denmark, while the number of accidents in The Netherlands, United Kingdom and Germany is continuously zero.

In 2014 NovCo Holding II A/S has focused on the psychological well-being of the employees. Training of all managers, union representatives and health and safety representatives has ensured a better psychological working environment.

Human rights

NovCo Holding II A/S's global CSR policy ensures protection of internationally proclaimed human rights.

Energy and climate change

The company makes a continuous, targeted effort to reduce its impact on the global environment, where the objective is to reduce the consumption of energy. From 2010 to 2013 the Danish factory has reduced its electricity consumption with 5 percent per year and from 2013 to 2014 the reduction is 1.6 percent.

NovCo Holding II A/S is certified according to ISO 14001:2004 and complies with local legislation concerning health, safety and the environment.

Gender diversity

The Company's policy regarding management diversity aims on having 25 % female members on the Boards 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. The Company aims to meet the target for 25 % female members on the Board of Directors in 2018 at the latest.

The Company has implemented new statistics measuring gender on all management levels throughout the Company, in order to increase the overall focus on gender diversity. The Marine & Offshore industry is today dominated by male leaders. The Company's target of 10 % female managers at all levels is based on an evaluation of the practical achievable within the specific industry and by other comparable companies. However, the Company is not in compliance yet. In order to meet the target, the Company will seek to achieve that at least one from each sex are among the last three candidates to management positions, promotions etc.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

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 2014 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.

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.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies (continued)

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.

Goodwill

Goodwill is amortised over its estimated useful economic life, which is determined based on Management's experience in the individual business areas. Goodwill is amortised on a straight-line basis over a period of 20 years as the investment is considered as strategic.

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.

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.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies (continued)

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.

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.

**Consolidated financial statements and parent company financial statements for the period 1 January -
31 December**

Accounting policies (continued)

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
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	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	Consolidated		Parent company	
		2014	2013	2014	2013
1	Revenue	963,257	722,644	0	0
20	Production costs	-843,874	-628,863	-1,196	0
	Gross profit/loss	119,383	93,781	-1,196	0
20	Distribution costs	-67,114	-72,433	0	0
19,20	Administrative expenses	-81,474	-82,330	-2,595	-5,059
	Profit/loss on ordinary operating activities	-29,205	-60,982	-3,791	-5,059
2	Other operating income	1,437	8,199	0	0
2	Other operating costs	-1,825	-21,473	0	0
	Profit/loss before net financials	-29,593	-74,256	-3,791	-5,059
3	Share of profit/loss in subsidiaries after tax	0	0	-35,992	-64,868
4	Share of profit/loss in associates after tax	323	122	0	0
5	Financial income	7,186	7,862	4,922	8,303
6	Financial expenses	-12,316	-14,158	-7,055	-7,876
	Profit/loss before tax	-34,400	-80,430	-41,916	-69,500
7	Tax on profit/loss for the year	-5,264	8,790	2,252	-2,140
	Profit/loss for the year	-39,664	-71,640	-39,664	-71,640
	Proposed profit appropriation/distribution of loss				
	Retained earnings			-39,664	-71,640
				-39,664	-71,640

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2014	2013	2014	2013
	ASSETS				
	Non-current assets				
8	Intangible assets				
	Completed development projects	13,810	17,624	4,786	5,982
	Development projects in progress	0	3,596	0	0
	Group goodwill	19,490	20,658	0	0
		33,300	41,878	4,786	5,982
9	Property, plant and equipment				
	Land and buildings	4,503	4,909	0	0
	Plant and machinery	11,271	27,149	0	0
	Other fixtures and fittings, tools and equipment	3,953	2,432	0	0
	Leasehold improvements	4,265	3,906	0	0
	Property, plant and equipment under construction	260	3,330	0	0
		24,252	41,726	0	0
	Investments				
10	Investments in subsidiaries	0	0	62,757	26,850
11	Investments in associates	1,403	1,327	0	0
	Deposits	0	507	0	0
		1,403	1,834	62,757	26,850
	Total non-current assets	58,955	85,438	67,543	32,832
	Current assets				
	Inventories				
	Raw materials and consumables	37,877	39,105	0	0
	Work in progress	21,093	20,702	0	0
	Finished goods and goods for resale	9,734	9,263	0	0
		68,704	69,070	0	0
	Receivables				
	Trade receivables	183,120	157,795	0	0
12	Contract work in progress	110,462	123,082	0	0
	Receivables from Group companies	3,162	0	66,819	83,222
	Receivables from associates	75	0	0	0
	Joint taxation contribution receivables	825	0	0	0
16	Deferred tax asset	1,537	17,170	1,537	1,277
	Deposits	2,906	3,015	0	1,601
	Other receivables	12,238	12,275	0	0
13	Prepayments	6,045	5,585	0	0
		320,370	318,922	68,356	86,100
	Cash at bank and in hand	122,664	58,383	0	186
	Total current assets	511,738	446,375	68,356	86,286
	TOTAL ASSETS	570,693	531,813	135,898	119,118

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2014	2013	2014	2013
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	106,000	106,000	106,000	106,000
	Net revaluation reserve according to the equity method	544	468	0	0
	Retained earnings	-102,127	-62,416	-101,583	-61,948
14	Total equity	4,417	44,052	4,417	44,052
	Provisions				
16	Deferred tax	11,592	6,020	0	0
	Other provisions	313	0	0	0
15	Provisions for warranty commitments	8,583	3,153	0	0
	Total provisions	20,488	9,173	0	0
	Liabilities other than provisions				
17	Non-current liabilities other than provisions				
	Lease commitment	5,043	9,177	0	0
		5,043	9,177	0	0
	Current liabilities other than provisions				
	Credit institutions	123,499	56,795	120,475	55,662
17	Current portion of lease commitment	4,715	5,522	0	0
12	Contract work in progress	106,992	107,583	0	0
	Trade payables	188,049	181,391	0	0
	Payables to Group companies	0	0	1,758	5,170
	Joint taxation contribution payable	0	0	0	0
	Other payables	117,490	118,120	9,249	14,234
		540,745	469,411	131,481	75,066
	Total liabilities other than provisions	545,788	478,588	131,481	75,066
	TOTAL EQUITY AND LIABILITIES	570,693	531,813	135,898	119,118
18	Contingencies and other liabilities				
19	Remuneration for auditors elected by the annual general meeting				
20	Employees				
21	Related parties and ownership structure				
22	Financial resources				
25	Subsequent events				

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Consolidated			Total
	Share capital	Net revaluation reserve according to the equity method	Retained earnings	
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, see allocation of profit/ distribution of 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 1 January 2014	106,000	468	-62,416	44,052
Dividends	0	-109	109	0
Transferred, see allocation of profit/ distribution of loss	0	323	-39,987	-39,664
Foreign currency translation adjustment relating to foreign Group companies	0	-41	171	130
Other adjustments	0	-97	-4	-101
Equity at 31 December 2014	106,000	544	-102,127	4,417

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Parent company			Total
	Share capital	Net revaluation reserve according to the equity method	Retained earnings	
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; see profit appropriation/distribution of 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 1 January 2014	106,000	0	-61,948	44,052
Dividends	0	0	0	0
Transferred; see profit appropriation/distribution of loss	0	0	-39,664	-39,664
Foreign currency translation adjustment relating to foreign Group companies	0	0	29	29
Other adjustments	0	0	0	0
Equity at 31 December 2014	106,000	0	-101,583	4,417

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Cash flow statement

Note	DKK'000	Consolidated	
		2014	2013
	Profit/loss for the year before tax	-34,400	-80,430
23	Adjustments	-28,180	41,017
24	Changes in working capital	58,434	17,798
	Cash flows from operations (operating activities before financial income and expenses)	-4,146	-21,615
	Financial income and expenses	-5,130	-6,296
	Cash flows from operations (operating activities)	-9,276	-27,911
	Corporation tax paid	-476	-2,364
	Joint taxation contribution received	16,115	0
	Cash flows from operating activities	6,363	-30,275
	Acquisition of property, plant and equipment	-4,319	-3,838
	Disposal of property, plant and equipment	365	183
	Acquisition of intangible assets	0	-1,502
	Disposal of subsidiaries	0	0
	Cash flows from Investing activities	-3,954	-5,157
	Net cash flows from operating and investing activities	2,409	-35,432
	Dividend, investments (net excl. tax)	109	129
	Repayment of lease commitments	-4,941	-4,230
	Change in bank debt	66,704	55,369
	Cash flows from financing activities	61,872	51,268
	Net cash flows for the year	64,281	15,836
	Cash and cash equivalents at 1 January	58,383	42,547
	Cash and cash equivalents at 31 December	122,664	58,383

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

	Consolidated		Parent company	
	2014	2013	2014	2013
DKK'000				
1 Revenue				
Business areas				
Marine	479,841	308,451	0	0
Offshore	325,526	233,012	0	0
Buildings and industrials	157,890	181,181	0	0
	<u>963,257</u>	<u>722,644</u>	<u>0</u>	<u>0</u>
2 Other operating income and expenses				
Other operating income				
Reversed loss regarding rent agreement	1,437	0	0	0
Reversed environmental cost	0	4,000	0	0
Profit on disposal of operations	0	3,328	0	0
Other operating income	0	871	0	0
	<u>1,437</u>	<u>8,199</u>	<u>0</u>	<u>0</u>
Other operating expenses				
Loss regarding rent agreement	0	-21,032	0	0
Other operating expenses	-1,825	-441	0	0
	<u>-1,825</u>	<u>-21,473</u>	<u>0</u>	<u>0</u>
3 Share of profit/loss in subsidiaries				
Profit/loss in subsidiaries after tax	0	0	-34,823	-63,699
Amortisation of Group goodwill	0	0	-1,169	-1,169
	<u>0</u>	<u>0</u>	<u>-35,992</u>	<u>-64,868</u>
4 Share of profit/loss in associates				
Profit/loss in associates after tax	323	122	0	0
	<u>323</u>	<u>122</u>	<u>0</u>	<u>0</u>
5 Financial income				
Interest income relating to Group companies		0	1,540	1,036
Other financial income	3,579	1,657	2,896	1,062
Exchange rate adjustment	3,607	6,205	486	6,205
	<u>7,186</u>	<u>7,862</u>	<u>4,922</u>	<u>8,303</u>

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Consolidated		Parent company	
	2014	2013	2014	2013
6 Financial expenses				
Interest expense relating to Group companies		0	0	-254
Other financial expenses	-11,157	-2,225	-6,276	-733
Exchange rate adjustment	-1,159	-11,933	-779	-6,889
	<u>-12,316</u>	<u>-14,158</u>	<u>-7,055</u>	<u>-7,876</u>
7 Corporation tax				
Current tax for the year	279	-721	0	0
Adjustment regarding previous years	676	-2,641	715	-3,044
Deferred tax for the year	-6,022	12,410	1,635	904
Adjustment regarding change in tax rate	-197	-759	-98	0
Total tax for the year	<u>-5,264</u>	<u>8,289</u>	<u>2,252</u>	<u>-2,140</u>
Tax on the profit/loss for the year	-5,264	8,790	2,252	-2,140
Tax on changes in equity	0	-501	0	0
	<u>-5,264</u>	<u>8,289</u>	<u>2,252</u>	<u>-2,140</u>

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

8 Intangible assets (continued)

DKK'000	Parent company	
	Completed development projects	Total
Cost at 1 January 2014	12,795	12,795
Additions during the year	0	0
Transferred	0	0
Cost at 31 December 2014	12,795	12,795
Impairment losses and amortisation at 1 January 2014	-6,813	-6,813
Amortisation for the year	-1,196	-1,196
Impairment losses and amortisation at 31 December 2014	-8,009	-8,009
Carrying amount at 31 December 2014	4,786	4,786
Amortised over	5 years	
	2014	2013
Impairment losses and amortisation of intangible assets are recognised in the income statement under the following items:		
Production costs	1,196	0
Administrative expenses	0	0
	1,196	0

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Property, plant and equipment

	Consolidated					Total
	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment under construction	
DKK'000						
Cost at 1 January 2014	14,324	77,675	22,407	8,721	3,330	126,457
Reclassification	-1	277	-37	0	0	239
Translation adjustment at year-end rate	-10	150	242	313	0	695
Transferred	0	519	554	2,507	-3,580	0
Additions during the year	0	644	2,524	0	1,151	4,319
Disposals during the year	0	-715	-14,105	-103	-641	-15,564
Cost at 31 December 2014	14,313	78,550	11,585	11,438	260	116,146
Impairment losses and depreciation at 1 January 2014	-9,412	-50,526	-19,975	-4,816	0	-84,729
Translation adjustment at year-end rate	0	-66	-287	-159	0	-512
Reclassification	-3	-277	37	0	0	-243
Depreciation for the year	-395	-5,068	-1,588	-2,245	0	-9,296
Impairment for the year	0	-12,000	0	0	0	-12,000
Impairment losses and depreciation on assets disposed of	0	658	14,181	47	0	14,886
Impairment losses and depreciation at 31 December 2014	-9,810	-67,279	-7,632	-7,173	0	-91,894
Carrying amount at 31 December 2014	4,503	11,271	3,953	4,265	260	24,252
Depreciated over	15-30 years	4-12 years	3-12 years	10 years	-	
Of which financially leased assets	0	7,338	0	0	0	
				2014	2013	
Impairment losses and depreciation of property, plant and equipment are recognised in the income statement under the following items:						
Production costs				17,436	6,020	
Administrative expenses				3,860	3,201	
				21,296	9,221	

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000		Parent company	
		2014	2013
10	Investments in subsidiaries		
	Cost at 1 January	366,431	337,487
	Disposals during the year	-500	0
	Conversion of debt/Tax-free group grant	72,321	28,944
	Cost at 31 December	438,252	366,431
	Revaluations at 1 January	-289,107	-218,947
	Other adjustments	-105	25
	Foreign currency translation adjustment	130	-4,979
	Value adjustments relating to forward exchange contracts at market value	0	-2,006
	Profit/loss for the year	-34,823	-63,701
	Disposals during the year	53	0
	Deferred tax relating to financial contracts	0	501
	Value adjustments at 31 December	-323,852	-289,107
	Impairment losses and amortisation at 1 January	-50,474	-49,305
	Amortisation of goodwill	-1,169	-1,169
	Impairment losses and amortisation at 31 December	-51,643	-50,474
	Carrying amount at 31 December	62,757	26,850

Investments in subsidiaries can be specified as follows:

Name	Registered office	Share capital	Voting rights and ownership
Novenco A/S	Naestved, Denmark	DKK 40 million	100%
Novenco Marine & Offshore A/S	Naestved, Denmark	DKK 6 million	100%

All foreign subsidiaries are recognised and measured as separate entities.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	Consolidated	
	2014	2013
11 Investments in associates		
Cost at 1 January	859	859
Disposals during the year	0	0
Cost at 31 December	859	859
Revaluation at 1 January	468	845
Foreign currency translation adjustment	-41	-370
Profit/loss for the year	323	122
Distributed dividend	-109	-129
Other adjustment	-97	0
Value adjustments at 31 December	544	468
Carrying amount at 31 December	1,403	1,327

Investments in Group and parent company associates are specified as follows:

Name	Registered office	Share capital	Voting rights and ownership
Novenco Nippon Ltd.	Kobe, Japan	JPY 110 million	22.73%

All foreign associates are recognised and measured as separate entities.

DKK'000	Consolidated		Parent company	
	2014	2013	2014	2013
12 Contract work in progress				
Work in progress at 31 December	1,184,824	769,779	0	0
Recognised profit	171,169	102,789	0	0
	1,355,993	872,568	0	0
Work in progress at 31 December at selling price	1,355,993	872,568	0	0
Of which invoiced on account	-1,352,523	-857,069	0	0
Net value	3,470	15,499	0	0

The amount is included in the financial statements under the following items

Contract work in progress included under assets	110,462	123,082	0	0
Contract work in progress included under equity and liabilities	-106,992	-107,583	0	0
Net value	3,470	15,499	3,660	5,422

13 Prepayments

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

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

14 Equity

DKK'000	2014	2013	2012	2011	2010
Share capital 1 January	106	353,654	353,654	353,654	353,654
Capital increase	0	0	0	0	0
Capital decrease	0	(247,654)	0	0	0
Share capital 31 December	106	106	353,654	353,654	353,654

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

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.

DKK'000	Consolidated		Parent company	
	2014	2013	2014	2013
Warranty provisions at 1 January	3,153	6,937	0	0
Used during the year	-8,038	-13,994	0	0
Reversal	-258	-8,814	0	0
Provided during the year	13,726	19,024	0	0
	8,583	3,153	0	0

16 Deferred tax

Equipment	1,020	-1,513	0	0
Leased asset	2,342	3,321	0	0
Leasehold improvements	394	310	0	0
Capitalised development cost	-446	-1,286	0	0
General warranty provisions	1,887	626	280	0
Recognised profit on payments received on account	-21,497	-15,007	0	0
Financial contract on equity	0	43	0	0
Compensation agreement	3,192	3,908	0	0
Trade receivables	123	-68	0	0
Pension obligations	0	-136	0	0
Capitalised tax loss	13,532	20,863	0	0
Other provisions and adjustments	1,285	89	1,257	1,277
Deferred tax at 31 December	1,832	11,150	1,537	1,277
Deferred tax included under assets	1,537	17,170	1,537	1,277
Deferred tax included under liabilities	-11,592	-6,020	0	0
	-10,055	11,150	1,537	1,277

Deferred tax in Novenco A/S amounts to an asset of DKK 11,887 thousand at 31 December 2014, which however has not been capitalised in the Balance sheet.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

17 Liabilities other than provisions (lease commitments)

Liabilities other than provisions fall due as follows:

DKK'000	Consolidated		Parent company	
	2014	2013	2014	2013
Within 1 year	4,715	5,522	0	0
Between 1 and 5 years	5,043	9,177	0	0
	<u>9,758</u>	<u>14,699</u>	<u>0</u>	<u>0</u>
Lease commitments				
Within 1 year	4,715	5,522	0	0
Between 1 and 5 years	5,043	9,177	0	0
	<u>9,758</u>	<u>14,699</u>	<u>0</u>	<u>0</u>

18 Contingencies and other liabilities

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

Rental obligations	48,274	41,731	19,124	27,626
Operating leases	7,522	8,147	0	0
IT contracts	4,153	4,176	0	0
Other supplier agreements	922	14,065	0	0
	<u>60,871</u>	<u>68,119</u>	<u>19,124</u>	<u>27,626</u>
Annual rent/lease payments amount to	<u>27,118</u>	<u>31,881</u>	<u>8,500</u>	<u>8,502</u>

Bank guarantees

The Group has given customers guarantees of DKK 35 million on goods sold.

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

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.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Consolidated		Parent company	
	2014	2013	2014	2013
19 Remuneration for auditors elected by the annual general meeting				
Auditors	1,037	977	36	35
Assurance statements	0	0	0	0
Tax consultancy	316	115	23	0
Non-audit services	568	724	135	138
	<u>1,921</u>	<u>1,816</u>	<u>194</u>	<u>173</u>
Hereof to other auditors	<u>372</u>			
20 Employees				
Wages and salaries	204,749	184,702	0	0
Pensions	13,745	14,282	0	0
Other social security costs	15,279	13,198	0	0
	<u>233,773</u>	<u>212,182</u>	<u>0</u>	<u>0</u>
Charged to the income statement as follows:				
Production costs	134,221	110,212	0	0
Distribution costs	52,169	58,104	0	0
Administrative expenses	47,383	43,866	0	0
	<u>233,773</u>	<u>212,182</u>	<u>0</u>	<u>0</u>
Executive Board	5,597	2,866	0	0
Board of Directors	0	0	0	0
	<u>5,597</u>	<u>2,866</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>599</u>	<u>568</u>	<u>0</u>	<u>0</u>

Remuneration to the Executive Board includes a severance pay to the former Group CEO.

21 Related parties and ownership structure

Controlling Interest

Novenco HAK ApS, Industrivej 22, DK-4700 Naestved, Denmark

Basis

Principal shareholder

Ownership structure

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Novenco HAK A/S, Industrivej 22, DK-4700 Naestved, Denmark.

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

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

22 Financial resources

The equity stood at the end of December 2014 at DKK 4 million. On February 5, 2015, the Company has sold the shares in the ventilation division including Novenco A/S Denmark and its subsidiaries Novenco B.V in the Netherlands and Novenco UK Ltd. in England. The ventilation division has been loss-given for several years and financially supported by NovCo Holding. Due to the loss of this divestment, NovCo Holding has as of February 5, 2015 lost its share capital and has a negative equity. It is management's opinion, that the equity will be reestablished by earnings from the remaining business activities in Novenco Marine & Offshore in the next 1-2 years.

Based on the Novenco Marine & Offshore's execution of the existing volume of orders, NovCo Holding expects to realize a profit before tax of DKK 20-30 million for 2015, and consequently a positive cash flow, which also is expressed in the budget for 2015.

Management believes that existing credit facilities will be maintained, and the owner Novenco Hak ApS has also for 2015 mediated the Group with overdraft facilities to support the activities of the Group. Management considers on this basis the financial resources to be adequate to carry out the plans and activities budgeted for 2015.

DKK'000	Consolidated	
	2014	2013
23 Adjustments, cash flow statement		
Profit/loss in associates after tax	-323	-122
Depreciation for accounting purposes on property, plant and equipment	9,296	9,221
Impairment for accounting purposes on property, plant and equipment	12,000	0
Write-down for accounting purposes on intangible assets	0	1,347
Amortisation for accounting purposes on intangible assets	8,251	8,623
Accounting gain/loss on property, plant and equipment	313	58
Accounting loss on deposits	0	8,395
Financial income and expenses	5,130	6,296
Change in provisions, contract work in progress etc.	-62,637	15,264
Disposal of subsidiary	0	0
Other adjustments	-210	-8,065
	-28,180	41,017
24 Changes in working capital, cash flow statement		
Change in receivables	-25,207	-19,036
Change in inventories and contract work in progress	80,775	-21,718
Change in trade and other payables, etc.	6,028	65,927
Change in amounts owed to group enterprises	-3,162	-7,375
	58,434	17,798

25 Subsequent events

On February 5, 2015, NovCo Holding II A/S has sold the shares in the ventilation division including Novenco A/S Denmark and its subsidiaries Novenco B.V in the Netherlands and Novenco UK Ltd. in England. The Novenco A/S Group is included in the consolidated figures for NovCo Holding II A/S: Revenue DKK 158 million, Profit/(loss) of DKK (47) million and Total assets of DKK 132 million.