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Dynatest Denmark A/S
Tempovej 27
2750 Ballerup
Central Business Registration No
20015632

Annual report 2018

The Annual General Meeting adopted the annual report on 14.06.2019

Chairman of the General Meeting

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Name: Nicholas Liebach

Contents

Entity details

Entity
Dynatest Denmark A/S
Tempovej 27
2750 Ballerup

Central Business Registration No: 20015632
Registered in: Ballerup
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Christian Møller Christensen
Anders Sørensen
Christian Lanng Nielsen

Executive Board
Christian Lanng Nielsen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Dynatest Denmark A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 14.06.2019

Executive Board

Christian Lanng Nielsen

Board of Directors

Christian Møller Christensen	Anders Sørensen	Christian Lanng Nielsen

Independent auditor's report

To the shareholders of Dynatest Denmark A/S

Opinion

We have audited the financial statements of Dynatest Denmark A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Material uncertainty related to going concern

Regarding the Company's ability to continue operation in 2019 we refer til note 1. We have not come to another conclusion regarding the Material accounting judgements and estimates made by Management with respect to the Company's ability to continue operation in 2019.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exits. Misstatements can arise from fraud or error and are considered material if,

Independent auditor's report

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with

Independent auditor's report

the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 14.06.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Flemming Larsen
State Authorised Public Accountant
Identification number (MNE) mne27790

Management commentary

Primary activities

Dynatest International Group ("Group") is a leading international provider of pavement engineering consulting services and equipment, including unique software tools for use in planning and maintenance of pavements for airports and roads.

Development in activities and finances

The Company has a loss for the year of (3,650) th. DKK, and at December 31, 2018 the Equity amounts to (40,304) th. DKK.

Due to the years financial developments, the Entity has lost more than half of the subscribed capital. For this reason, the Entity falls within the provisions of § 119 in the Danish Companies Act govering loss of capital. Management believes that the capital loss situation will be repaired by means of future income. Thererfore, management finds it appropriate to present the 2018 financial statements on a going concern basis.

The Dynatest Group has, since a period in 2015 and 2016 with very poor financial performance, been transformed through a comprehensive turnaround. The turnaround, that has taken place in 2016 and 2017, has involved many changes mainly related to aligning cost with activities, strengthening the business platform and making the business scalable preparing its capability to support future growth. Among other things this has involved organizational changes in management and the sales organization, improved production processes and business processes in general, introduction of transparent reporting supporting decision making and closing down business areas and representations that was not profitable.

During the turnaround, financial performance of the Group has gradually improved and in 2018 the Group has realized a revenue growth of approx. 60% since 2016 and generating a positive profit from operations before depreciations. Although the company has now regained its ability to generate positive EBITDA, management is still not considering it to be a satisfactory level taking into considerations the global market opportunities.

The substantial improvement of the financial performance of the Group in 2018 has had a positive impact on liquidity, although the Group is still not able to cover the liquidity requirements to mitigate the impact from the financial losses realized in 2015-2017 and support a continued high market demand for investment in further development of products and services. This cause the Group to be driven under very tight liquidity.

Up and to now, the operations have been funded by ordinary and temporary credit lines in the Groups main bank, Sydbank, and guaranteed by the primary shareholder SE Blue Equity. The financial services of the Danish Export Credit Agency (EKF) are being used, to the extent that is possible, to secure surety related to certain export activities.

Management commentary

Management and the board of directors have prepared an ambitious budget for 2019 including initiatives to continue the revenue growth and continued investments in the market driven R&D activities and the development of the Group, in general. The overall driver to improved liquidity in the budget for 2019 is expected to be revenue growth. Despite a significantly improved financial performance through 2016-2018 and positive expectations to the 2019 financial performance the Group's ability to generate liquidity to support the growth is still insufficient to mitigate the risk of deviations from budget. Management assess that the chance of achieving the 2019 budget will be essentially improved by the establishment of a more solid funding platform involving either additional funding from the current owners, third party equity funding or extended credit line facilities.

Due to these circumstances the board of directors has initiated a process to search for a partner that can enhance the Group´s current liquidity /credit lines and strengthen the equity of the Group. Thus, the continued investments and the fulfillment of the contemplated actives in the 2019 budget is prerequisite that additional credit lines be made available to the Group. It is managements expectation that it will be possible to attract a strategic partner to the Group in the near term.

Outlook

As mentioned in section "Development in activities and finance" the board of directors has initiated initiatives to ensure the continued financing of the Group. But the overall driver to improved liquidity is expected to be revenue growth. It is therefore imperative that the Group´s order intake continues the positive trend that has been reported the past couple of years and is prerequisite of the fulfillment of the ambitious 2019 budget.

Dynatest Denmark A/S is dependant on Dynatest International to ensure financing an payment of the company's financial obligations.

Under these preconditions it is Managements assessment that the financial statements for the financial year 2018 are presented under a going concern assumption. Meanwhile management do acknowledge that there is uncertainty as to whether it will be possible to attract a strategic partner and whether the budget for 2019 can be realized as expected, which indicates that doubts can be raised about the Group's ability to continue operation.

Events after the balance sheet date

No essential events have occurred after the balance sheet date which can influence the evaluation of this annual report.

Income statement for 2018

	Notes	2018 DKK	2017 DKK'000
Gross profit	2	**15.828.330**	**8.323**
Distribution costs	2	(2.894.862)	(1.564)
Administrative costs	2	(14.130.388)	(13.280)
Operating profit/loss		**(1.196.920)**	**(6.521)**
Other financial income		14.307	1
Other financial expenses	3	(2.209.308)	(1.429)
Profit/loss before tax		**(3.391.921)**	**(7.949)**
Tax on profit/loss for the year	4	(259.000)	964
Profit/loss for the year		**(3.650.921)**	**(6.985)**
Proposed distribution of profit/loss			
Retained earnings		(3.650.921)	(6.985)
		(3.650.921)	**(6.985)**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Other fixtures and fittings, tools and equipment		10.661.530	12.746
Property, plant and equipment in progress		3.848.577	0
Property, plant and equipment	5	**14.510.107**	**12.746**
Deposits		754.760	755
Fixed asset investments	6	**754.760**	**755**
Fixed assets		**15.264.867**	**13.501**
Raw materials and consumables		5.994.158	5.137
Manufactured goods and goods for resale		4.036.261	4.603
Prepayments for goods		586.667	0
Inventories		**10.617.086**	**9.740**
Trade receivables	7	7.218.390	4.641
Contract work in progress		5.795.737	3.857
Deferred tax	8	2.543.000	2.802
Other receivables		17.967	492
Prepayments	9	290.633	663
Receivables		**15.865.727**	**12.455**
Cash		**1.884.216**	**86**
Current assets		**28.367.029**	**22.281**
Assets		**43.631.896**	**35.782**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Contributed capital		500.000	500
Retained earnings		(40.804.236)	(37.153)
Equity		**(40.304.236)**	**(36.653)**
Other provisions		447.917	415
Provisions		**447.917**	**415**
Finance lease liabilities		23.424.568	11.550
Payables to group enterprises		10.365.508	25.767
Non-current liabilities other than provisions	10	**33.790.076**	**37.317**
Current portion of long-term liabilities other than provisions	10	6.466.139	2.921
Bank loans		21.482.300	15.538
Prepayments received from customers		6.495.783	288
Trade payables		7.723.870	9.024
Other payables		7.530.047	6.932
Current liabilities other than provisions		**49.698.139**	**34.703**
Liabilities other than provisions		**83.488.215**	**72.020**
Equity and liabilities		**43.631.896**	**35.782**
Going concern	1		
Contingent liabilities	11		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	(37.153.315)	(36.653.315)
Profit/loss for the year	0	(3.650.921)	(3.650.921)
Equity end of year	**500.000**	**(40.804.236)**	**(40.304.236)**

Notes

1. Going concern

Due to the years financial developments, the Entity has lost more than half of the subscribed capital. For this reason, the Entity falls within the provisions of § 119 in the Danish Companies Act govering loss of capital. Management believes that the capital loss situation will be repaired by means of future income. Thererfore, management finds it appropriate to present the 2018 financial statements on a going concern basis.

The management commentary, to which we refer, states how the Group's future activities are expected to be financed.

The planned activities for 2019 expects to generate a positive EBITDA. Despite a significantly improved financial performance through 2016-2018 and positive expectations to the 2019 financial performance, the Group's ability to generate liquidity to support the growth is still insufficient to mitigate the risk of deviations from budget. Management assess that the chance of achieving the 2019 budget will be essentially improved by the establishment of a more solid funding platform involving either additional funding from the current owners, third party equity funding or extended credit lines.

The Group's business, by nature, include sales and activities from which the timing of actual cash flow can be difficult to predict detailed. The planned activities - including continued strengthening of topline and EBITDA during the financial year 2019 compared to the financial year 2018 - is based on assumptions which Management consider to be reasonable and realistic, but which by nature include a level of uncertainty.

If the assumptions is not realized as expected, the financing resources and thereby the sufficiency of liquidity for financing the Group's activities can be affected negatively, and/or the timing of investments being made, may be incurred.

Under these preconditions it is Managements assessment that the Financial Statements for the financial year 2018 are presented under a going concern assumption.

Management do acknowledge the necessity of attracting a strategic partner or achieve other means of funding to the Group's ability to continue its operations. Management also acknowledge that there is uncertainty as to whether it will be possible to attract a strategic partner and whether the budget for 2019 can be realized as expected, which indicates that doubts can be raised about the Group's ability to continue operation.

Notes

	2018 DKK	2017 DKK'000
2. Staff costs		
Wages and salaries	16.090.915	17.471
Pension costs	933.338	891
Other social security costs	288.043	229
Other staff costs	494.965	92
	17.807.261	**18.683**
Average number of employees	**41**	**30**

	2018 DKK	2017 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	227.579	398
Interest expenses	1.572.136	786
Exchange rate adjustments	409.593	245
	2.209.308	**1.429**

	2018 DKK	2017 DKK'000
4. Tax on profit/loss for the year		
Change in deferred tax for the year	259.000	(964)
	259.000	**(964)**

Notes

	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
5. Property, plant and equipment		
Cost beginning of year	20.084.425	0
Additions	736.149	3.848.577
Disposals	(646.900)	0
Cost end of year	**20.173.674**	**3.848.577**
Depreciation and impairment losses beginning of the year	(7.337.435)	0
Depreciation for the year	(2.496.927)	0
Reversal regarding disposals	322.218	0
Depreciation and impairment losses end of the year	**(9.512.144)**	**0**
Carrying amount end of year	**10.661.530**	**3.848.577**

Book value of assets held under finance leases amounts to 9,787 DKK (2017 : 10.608 DKK.).

	Deposits DKK
6. Fixed asset investments	
Cost beginning of year	754.760
Cost end of year	**754.760**
Carrying amount end of year	**754.760**

7. Trade receivables

The Company operates in many countries in Europe, Americas and Asia. The economic environment in some of these countries is challenged, currency exchange rules are put in place which reduce the possibility for the customers to make payments abroad. Therefore, some of the Company’s trade receivables are significantly overdue. The Company’s management continues to collect the trade receivables and to maintain the relationship with these customers.

Based on continued and updated correspondance with these customers, Management has on a individual customer basis provided for expected loss. Management is of the opinion that the net booked amount is recoverable, though the acutal time of payment is incertain.

Notes

Estimates are made on the basis of assumptions which Management considers reasonable and realistic, but which by nature are uncertain, thus recoverability of these receivables may proceed differently that expected.

	2018 **DKK**	**2017** **DKK'000**
8. Deferred tax		
Property, plant and equipment	412.000	(1.345)
Tax losses carried forward	2.131.000	4.147
	2.543.000	**2.802**

The deferred tax asset corresponds at maximum to a deferred tax liability in the Parent Company. Since those two companies are jointly taxed, the tax asset will be utilized by the Parent Company.

9. Prepayments
Prepayments comprise prepayed expenses.

	Instalments within 12 months 2018 DKK	**Instalments within 12 months 2017 DKK'000**	**Instalments beyond 12 months 2018 DKK**
10. Liabilities other than provisions			
Finance lease liabilities	6.466.139	2.921	23.424.568
Payables to group enterprises	0	0	10.365.508
	6.466.139	**2.921**	**33.790.076**

11. Contingent liabilities
As a security for debt to banks of DKK ('000) 19,600 Dynatest Denmark A/S has issued a floating charge of a nominal amount of DKK ('000) 10,000. The floating charge includes the following assets, with a carrying amount as at 31 December 2018 of:

Fixtures and equipment, DKK ('000) 14,510
Trade receivables, DKK ('000) 13,883
Inventories, DKK ('000) 10,617

Dynatest Denmark A/S has issued gurantees to customers in the amount of DKK ('000) 26,451.

Dynatest Denmark A/S has signed a tenancy rental agreement for their leasehold with 41 months intermi-nability at 31 May 2022 corresponding to a rent of DKK ('000) 5,875.

Dynatest Denmark A/S has lease payments (operating lease) of DKK ('000) 816 until 2023.

Notes

Dynatest Denmark A/S has an obligation to purchase assets held under finance leases for DKK ('000) 3,460 at the end of the lease period.

Dynatest Denmark A/S participates in a Danish joint taxation arrangement in which Dynatest Finance ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

9. Ownership

The following shareholder is recorded in the company's register of shareholders as owning minimum 5% of the votes or minimum 5% of the share capital:

Dynatest International A/S
Tempovej 27
2750 Ballerup

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises.

The accounting policies applied for these financial statements are consistent with those applied last year.

Managements material judgements and estimates
When preparing the Company's annual report, it is necessary that Management makes a number of accounting judgments and estimates which form the basis for presentation, recognition and measurement of the Company's assets and liabilities.

In particular, the accounting judgments and estimates made by Management related to the sufficiency of the Group's financing to continue activities

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, production costs and other operating income.

Accounting policies

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity’s products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative expenses comprise expenses incurred for the Entity’s administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

Plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Accounting policies

Contract work in progress
Contract work in progress regarding individualized products is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructurings, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Accounting policies

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructurings in the acquired enterprise that were decided and published at the takeover date at the latest.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.