

ADI-Alarmssystem A/S

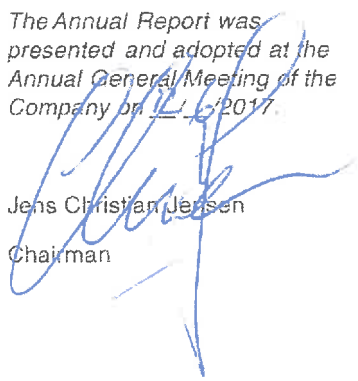
Baldershoj 13, DK-2635, Ishoj, Denmark

CVR- nr. 10 50 88 94

Annual Report for 1 January - 31 December 2016

*The Annual Report was
presented and adopted at the
Annual General Meeting of the
Company on 11/11/2017.*

Jens Christian Jensen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of ADI-Alarmsystem A/S for the financial year 1 January - 31 December 2016

The Annual Report is prepared in accordance with the Danish Financial Statements Act

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016

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

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

Copenhagen, ~~12/16~~ 2017

Executive Board



Jens Otto Ewert

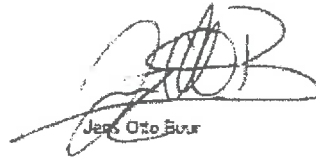
Board of Directors



Jens Christian Jensen
Chairman



Adrian Connell



Jens Otto Ewert



Alex Jelskov Albjerg

Independent Auditor's Report

To the shareholders of ADI-Alarmssystem A/S

Opinion

We have audited the financial statements of ADI-Alarmssystem A/S for the financial year 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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.

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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent Auditor's Report (continued)

- 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 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, 12.06.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556



Jan Larsen

State Authorised Public Accountant

Company Information

The Company

ADI-Alarmsystem A/S
Baldershoj 13
DK-2635 Ishoj

Telephone: +45 43245600
Telefax: +45 43245601
E-mail address: info.dk@adiglobal.com
Website: www.adiglobal.com/dk

CVR No.: 10 50 88 94
Established: 13/11/1986

Financial period: 1 January - 31 December
Municipality of reg. office: Ishøj, Denmark

Board of Directors

Jens Christian Jensen
Adrian Connell
Alex Jelstrup Alpjerg
Jens Otto Buur

Executive Board

Jens Otto Buur

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6,
DK-2300 København

Accounting Policies

Principal activity

The Company's principal activities comprise trade in electronic safety and security products as well as design of electronic safety and security systems.

Financial review

The Company's income statement for 2016 shows a loss of DKK 4,175 thousand (2015: loss of DKK 6,053 thousand). Company's balance sheet at 31 December 2016 shows an equity of DKK negative 4,475 thousand (2015: negative DKK 300 thousand).

Outlook

An increase is expected in the safety and security market. This is expected to have a positive impact on the revenue and earnings of the Company.

An improvement in the 2017 results is expected compared with 2016.**External environment**

ADI-Alarmsystem A/S' activities do not include actual production and all waste disposal is made in accordance with the regulations of the respective local authorities.

Knowledge resources

The Company's business foundation states that all core products must be accompanied by Danish manuals and requires that customers must be able to obtain technical support, training, etc. according to need. This means high requirements as to knowledge resources among our employees.

To ensure the continuous ability to provide these services it is essential that the Company is able to recruit and retain employees with extensive professional qualifications in electronics and IT.

Special risks – operating risks and financial risks

Price risks

The Company is not subject to any significant price risks.

Foreign currency risks

Due to activities abroad, profit, cash flows and equity are affected by the development in exchange rates for a number of currencies.

Interest rate risks

The Company does not have any significant interest-bearing debt and therefore the interest level will not have any significant impact on earnings. Accordingly, no interest-rate instruments are entered to hedge interest-rate risks.

External environment

ADI-Alarmsystem A/S' activities do not include actual production and all waste disposal is made in accordance with the regulations of the respective local authorities.

Subsequent events

Management believes that all material information for evaluating the Company's financial position and profit/loss for the year appears from the financial statements. No events have occurred after the balance sheet date that may have a significant influence on the assessment of the Company's financial position at 31 December 2016.

Accounting Policies

Basis of accounting

The annual report of ADI-ALARMSYSTEM A/S for 2016 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act, with addition of a few provisions for class C enterprises.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in *TDKK*.

In accordance with section 112 (1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The Company is included in the consolidated financial statements of Honeywell International Inc.

With reference to section 86 of the Danish Financial Statements Act, Cash Flow Statement has not been prepared for the Company as it is included in the Consolidated Financial Statement of Honeywell International Inc. The Financial Statement for the Honeywell International Inc. Group can be obtained at www.honeywell.com

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Accounting Policies

Income Statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, revenue is not disclosed in the annual report.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

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

A sale is considered completed when:

- delivery has taken place before the end of the financial year,
- a binding sales agreement has been entered into,
- the sales price has been determined, and payment has been received or it is reasonably certain that payment will be received.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises 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.

Staff costs

Staff costs comprise wages and salaries as well as related costs.

Depreciation/amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation for the year on property, plant and equipment, amortisation of intangible assets and impairment losses.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and financial expenses comprise interest, financial expenses on finance leases, realised and unrealised exchange rate adjustments as well as value adjustment of securities.

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax that is recognised in the income statement is classified as tax on the profit for the year and tax on extraordinary profits, respectively.

Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Balance Sheet

Non-current assets

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub—suppliers.

Interest expenses on loans raised specifically to finance the manufacture of property, plant and equipment are recognised in cost over the manufacturing period. All indirectly attributable borrowing costs are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight—line basis over the expected useful lives of the assets, which are:

Fixtures and fittings, other plant and equipment 3-16 years

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Accounting Policies

Write-down of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

If this is the case, an impairment test is made in order to determine whether the recoverable amount is lower than the carrying amount, and a write-down is made to this lower value.

The recoverable amount for the asset concerned is made up as the higher of the net selling price and the net present value. If it is not possible to determine the recoverable amount for individual assets, the assets are assessed jointly in the smallest identifiable group of assets to determine a reliable recoverable amount.

Assets for which no separate value in use can be determinable, as the asset does not in itself generate any future cash flows, are subject to review for impairment together with the group of assets to which they belong.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Current assets

Inventories

Inventories are measured at the lower of cost in accordance with the average cost method and the net realisable value.

The net realisable value of inventories is calculated as the expected selling price less selling costs and costs of completion. The net realisable value is calculated taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Exchange rate adjustments of long-term loans to group enterprises are taken to equity, as these loans are considered "equity" loans.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity and liability

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry—forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Accounting Policies

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on- account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Fixed-interest loans, such as mortgage loans and loans from credit institutions, are recognised at the time of borrowing at the proceeds received, net of transaction costs incurred. In subsequent periods, the loans are measured at amortised cost. Accordingly, the difference between the proceeds and the nominal value is recognised as interest expense in the income statement over the term of the loan.

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

Income statement

for the year ended 31 December 2016

	Notes	2016	2015
		<i>TDKK</i>	<i>TDKK</i>
Gross profit		15,509	10,503
Staff expenses	1	-20,016	-17,647
Depreciation, amortization and impairment of intangible assets and property, plant and equipment		-594	-147
Operating loss		-5,101	-7,291
Financial income	2	2	1
Financial expenses	3	-246	-927
Loss before tax		-5,345	-8,217
Tax benefit for the year	4	1,170	2,164
Loss for the year		-4,175	-6,053
Distribution of profit			
Proposed distribution of profit			
Retained earnings		-4,175	-6,053

Balance sheet

at 31 December 2016

	Notes	2016 TDKK	2015 TDKK
Assets			
Non-current assets			
Property, plant and equipment			
Other fixtures and fittings, tools and equipment	5	1,565	1,768
		1,565	1,768
Financial assets			
Deposits	6	883	883
Investment in subsidiaries	7	10,863	10,863
Total Investments		11,746	11,746
Total non-current assets		13,311	13,514
Current assets			
Inventories	8	15,972	17,977
Receivables			
Trade receivables		15,606	14,456
Amounts owed by subsidiaries		3,785	5,234
Other receivables		495	719
Deferred tax asset	4	0	303
Corporation tax		1,487	2,164
Prepayments and deferred income		210	208
		21,583	23,084
Cash at hand and in bank		0	3
Total current assets		37,555	41,064
Total assets		50,866	54,578

Balance sheet

at 31 December 2016

	Notes	2016	2015
		TDKK	TDKK
Equity and liabilities			
Equity			
Share capital		1,501	1,501
Retained earnings		-5,976	-1,801
		-4,475	-300
Provisions			
Other provisions	9	162	341
		162	341
Current liabilities			
Trade payables		17,635	16,075
Payables to group enterprises		30,905	32,619
Other payables		6,623	5,842
Deferred tax liability	4	14	0
Bank overdraft		2	0
Total current liabilities		55,179	54,537
Total liabilities		55,341	54,878
Total equity and liabilities		50,866	54,578
Contingent assets, liabilities and other financial obligations	10		
Related parties and ownership	11		

Statement of changes in Equity

at 31 December 2016

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	<i>TDKK</i>	<i>TDKK</i>	<i>TDKK</i>
Equity at 1 January	1,501	-1,801	-300
Net profit / loss for the year	0	-4,175	-4,175
Equity at 31 December	1,501	-5,976	-4,475

	<u>Number</u>	<u>Nominal Value</u>
		<i>TDKK</i>
Shares at DKK 500k	3	1,500
Shares at DKK 1k	1	1
		1,501

There have been no changes in the share capital during the last 5 years.

Notes to the annual report

at 31 December 2016

1. Staff expenses

	<u>2016</u>	<u>2015</u>
	<i>TDKK</i>	<i>TDKK</i>
Wages and salaries	18,794	16,539
Pensions	1,106	992
Other social security expenses	117	116
	<u>20,016</u>	<u>17,647</u>
Average number of employees	28	28

2. Finance income

	<u>2016</u>	<u>2015</u>
	<i>TDKK</i>	<i>TDKK</i>
Interest received from group enterprises	2	0
Other financial income	0	1
	<u>2</u>	<u>1</u>

3. Finance expenses

	<u>2016</u>	<u>2015</u>
	<i>TDKK</i>	<i>TDKK</i>
Interest expense, group enterprises	49	243
Other financial expenses	79	82
Exchange adjustments, expenses	118	602
	<u>246</u>	<u>927</u>

4. Tax on profit / loss for the year

	<u>2016</u>	<u>2015</u>
	<i>TDKK</i>	<i>TDKK</i>
Current tax for the year	-1,220	-1,897
Deferred tax for the year	317	-267
Adjustments to prior year	-267	0
No on- account tax was paid during the financial year.	<u>-1,170</u>	<u>-2,164</u>

5. Property, Plant and Equipment

	Other fixtures and fittings, tools and equipment
	<i>TDKK</i>
Cost at 1 January	2,960
Additions during the year	391
Cost at 31 December	3,351
Impairment losses and amortization at 1 January 2016	1,192
Depreciation for the year	594
Impairment losses and Depreciation at 31 December 2016	1,786
Carrying amount at 31 December 2016	<u><u>1,565</u></u>

6. Financial assets

	<u>2016</u>
	<i>TDKK</i>
Cost at 1 January 2016 and 31 December 2016	883
Carrying amount at 31 December 2016	<u><u>883</u></u>

Notes to the annual report

at 31 December 2016

7. Investments in subsidiaries

	<u>2016</u>
	<i>TDKK</i>
Cost	
Balance at 1 January	25,912
Impairment losses	
Adjustment at 1 January	-15,049
Balance at 31 December	<u>10,863</u>

Name	Registered office	2015 Financial result	2015 Share capital	Voting shares and ownership
ADI-Global Distribution AB	Sweden	TSEK 4,155	TSEK 1,100	100%
ADI-Alarmsystem Finland OY (it is no longer a subsidiary)	Finland	TEUR -67	TEUR 2,008	0%

The equity and results are presented for the latest approved annual report. The share capital of ADI Alarmsystem Finland Oy was written off to DKK 0 in 2008.

8. Inventories

	<u>2016</u>	<u>2015</u>
	<i>TDKK</i>	<i>TDKK</i>
Raw materials and consumables	0	0
Work in progress	0	0
Manufactured goods and goods for resale	15,972	17,977
Prepayments for goods	0	0
Total inventories	<u>15,972</u>	<u>17,977</u>

9. Other provisions

Other provisions recognised as liabilities relate to provisions for warranties on products sold.

	<u>2016</u>	<u>2015</u>
	<i>TDKK</i>	<i>TDKK</i>
Other provisions	162	341
Total provisions	<u>162</u>	<u>341</u>

10. Contingent liabilities

The Company has entered into lease contracts involving lease liabilities totalling TDKK 3 806 at 31 December 2016 (2015: TDKK 5 285).

The Company has entered into operating leases on which the lease payments for the remaining term amount to TDKK 489 at 31 December 2016 (2015: TDKK 978).

The Company is jointly taxed with all other Danish companies in the Honeywell group. As a consolidated entity, the Company has unlimited and joint liability together with the other companies under joint taxation for Danish corporation tax and withholding tax on dividends, interest and royalties within the jointly taxed companies.

11. Related parties and ownership

Transactions

The company's related parties are Honeywell International Inc. and its subsidiaries. All transactions between the related parties are based on arms-length term. The type of transactions with the related parties can be specified as buying and selling of components, management fees, IT-service fees and loan.

Notes to the annual report

at 31 December 2016

Consolidated Financial Statements

The Company is owned 100% by ADI-Gardiner EMEA Ltd., which is owned by Honeywell S.L (Spain) group and ADI Alarmsystem A/S is included in the Group Annual Report as a subsidiary. Honeywell S.L. (Spain) is owned by Honeywell International Inc.

The Group Annual Report of Honeywell International Inc. may be obtained at the following address:

Honeywell International Inc.

115 Tabor Road

Morris Plains NJ 07950

USA

Or on the home page www.honeywell.com.