
Autronica
Fire and Security A/S
Industriholmen 17-19, DK-2650 Hvidovre

Annual Report for 2020

CVR No 15 20 25 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/05 2021

Michael Keldsen
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Autronica Fire and Security A/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hvidovre, 28 May 2021

Executive Board

Edgar Skjervold
CEO

Board of Directors

Michael Keldsen
Chairman

Thomas Rønnebek

Edgar Skjervold

Lars-Erik Tietze
Staff Representative

Henrik Strunge
Staff Representative

Independent Auditor's Report

To the Shareholder of Autronica Fire and Security A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Autronica Fire and Security A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

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

Management's responsibilities for the Financial Statements

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

Independent Auditor's Report

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 28 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Leif Ulbæk Jensen
State Authorized Public Accountant
mne23327

Thomas Lauritsen
State Authorized Public Accountant
mne34342

Company Information

The Company

Autronica Fire and Security A/S
Industriholmen 17-19
DK-2650 Hvidovre

Telephone: + 45 36 86 96 00
E-mail: info.autronica.dk@carrier.com
Website: www.autronicafire.com

CVR No: 15 20 25 13
Financial period: 1 January - 31 December
Municipality of reg. office: Hvidovre

Board of Directors

Michael Keldsen, Chairman
Thomas Rønnebek
Edgar Skjervold
Lars-Erik Tietze
Henrik Strunge

Executive Board

Edgar Skjervold

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

Gorrissen Federspiel
Axeltorv 2
DK - 1609 København V

Bankers

Nordea Commercial Banking Sjælland
Vesterbrogade 8
DK-0900 København C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	20,569	17,055	21,671	29,463	34,912
Profit/loss before financial income and expenses	3,106	-2,680	1,713	2,333	9,507
Net financials	197	142	-132	23	-50
Net profit/loss for the year	2,356	-2,004	1,217	1,844	7,359
Balance sheet					
Balance sheet total	29,753	32,103	33,366	59,130	65,173
Equity	11,461	9,104	11,108	38,891	44,447
Number of employees	53	55	54	56	58
Ratios					
Return on assets	10.4%	-8.3%	5.1%	3.9%	14.6%
Solvency ratio	38.5%	28.4%	33.3%	65.8%	68.2%
Return on equity	22.9%	-19.8%	4.9%	4.4%	18.1%

Management's Review

Key activities

Autronica Fire and Security A/S is a trading and engineering company undertaking sales, installation, service and administration within the areas of Fire Detection, Voice Alarm, Facade Protection and Fire Suppression Systems.

Development in the year

The income statement of the Company for 2020 shows a profit of DKK 2,356,178, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 11,460,653.

The COVID-19 pandemic has negatively affected the Danish and global economies, disrupted global supply chains and financial markets, and resulted in significant travel restrictions, including mandated facility closures and shelter-in-place orders.

The Company's services have generally been considered essential in nature and business has been continued throughout the pandemic. Autronica Fire and Security A/S, is taking all prudent measures to protect the health and safety of our employees and has implemented work from home requirements, where possible, social distancing where working from home is not feasible including in our warehouse facilities, deep cleaning protocols at all of our facilities and travel restrictions, among other measures.

The extent of the pandemic's impact on the Company will also depend upon our employees' ability to work safely in our facilities and to be granted access to vaccines (including the time it takes for our employees to be vaccinated), our customers' ability to continue to operate or to receive our products, our suppliers' ability to continue to supply us with products, and the level of activity and demand for the ultimate products and services of our customers or their customers.

In any case, the situation and its impact on the Company are constantly kept under close review by the local management and appropriate measures are being implemented to protect the Company.

During 2020 Autronica Fire and Security A/S experienced a satisfying development of the Company's activities. In the Management's opinion the expectations for 2020 were fulfilled also taken the global COVID-19 pandemic into consideration.

Capital resources

Currently, we believe that there is no doubt about the Company's ability to continue as a going concern, for a reasonable period of time up to at least 31 December 2021 and the Board of Directors considers the capital base of the Company to be fully sufficient.

Targets and expectations for the year ahead

The management expects the activity level and the result for the financial year 2021, similar to 2020.

Management's Review

External environment

Autronica Fire and Security A/S operate as a Company that in every respect is aware of and pays attention to the environment. The Company naturally complies with all acts and provisions that apply to the external as well the working environment.

Intellectual capital resources

Our philosophy is simple: Autronica Fire and Security A/S does not compromise its quality objective. Autronica Fire and Security A/S represent innovation, quality and service; not only in respect of the Company's products, but also in respect of project processing. Autronica Fire and Security A/S works together with the customers as partners and endeavors to deliver the best and cheapest solution, which corresponds to the customer's needs. This philosophy places heavy demands on the intellectual capital resources in respect to employees, business processes and distributors.

Autronica Fire and Security A/S' quality system (Carrier Excellence) and the ISO 9001:2015 certification must document the Company's business processes and ensure that these work in the most optimal way - and continuously are improved.

Uncertainty relating to recognition and measurement

As a result of the COVID-19 pandemic, the Company has experienced varied impacts across its business. The management assessed whether or not COVID-19 impacts their significant assumptions regarding future income from the Company's underlying assets or potentially changes its liabilities. In order to evaluate these impacts, the management reviewed forecast assumptions regarding future business activity, that have been subject to COVID-19 uncertainties, including those noted in the prior paragraph.

Because of the dynamic environment, the management will continue to evaluate whether these assumptions are reasonable. In addition, the duration of the Government's restrictions is not known and cannot be reasonably estimated.

Except for this, recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2020 of the Company and the results of the activities of the Company for the financial year for 2020 have not been affected by any unusual events except for the COVID-19 pandemic described above.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> DKK
Gross profit/loss		20,569,358	17,054,964
Distribution expenses		-11,450,274	-11,085,475
Administrative expenses	2	<u>-6,012,636</u>	<u>-8,649,273</u>
Operating profit/loss		3,106,448	-2,679,784
Profit/loss before financial income and expenses		3,106,448	-2,679,784
Financial income	3	221,220	160,862
Financial expenses	4	<u>-23,988</u>	<u>-19,050</u>
Profit/loss before tax		3,303,680	-2,537,972
Tax on profit/loss for the year	5	<u>-947,502</u>	<u>534,297</u>
Net profit/loss for the year		<u>2,356,178</u>	<u>-2,003,675</u>

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Acquired software		230,605	50,419
Intangible assets	6	230,605	50,419
Land and buildings		1,016,636	1,055,345
Plant and machinery		0	0
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		0	10,280
Property, plant and equipment	7	1,016,636	1,065,625
Deposits		758,763	529,781
Fixed asset investments	8	758,763	529,781
Fixed assets		2,006,004	1,645,825
Inventories		8,255,712	7,243,673
Trade receivables		12,567,352	15,873,947
Contract work in progress	9	3,290,756	3,467,763
Receivables from group enterprises		2,503,136	1,014,431
Other receivables		3,500	1,000
Deferred tax asset	10	620,503	860,743
Corporation tax		0	254,203
Prepayments	11	324,632	437,709
Receivables		19,309,879	21,909,796
Cash at bank and in hand		181,762	1,303,560
Currents assets		27,747,353	30,457,029
Assets		29,753,357	32,102,854

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		8,308,000	8,308,000
Retained earnings		3,152,653	796,475
Equity		11,460,653	9,104,475
Provision for guarantee	13	549,000	424,000
Provisions		549,000	424,000
Other payables		0	1,177,269
Long-term debt	14	0	1,177,269
Trade payables		1,066,065	1,433,283
Contract work in progress, liabilities	9	1,777,244	2,078,363
Payables to group enterprises		2,191,346	6,563,448
Corporation tax		899,576	0
Other payables	14	11,053,727	10,555,190
Deferred income	15	755,746	766,826
Short-term debt		17,743,704	21,397,110
Debt		17,743,704	22,574,379
Liabilities and equity		29,753,357	32,102,854
Subsequent events	1		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	8,308,000	796,475	9,104,475
Net profit/loss for the year	0	2,356,178	2,356,178
Equity at 31 December	8,308,000	3,152,653	11,460,653

Notes to the Financial Statements

1 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

	<u>2020</u> DKK	<u>2019</u> DKK
2 Staff		
Wages and Salaries	32,590,508	33,579,709
Pensions	2,836,607	2,512,186
Other social security expenses	730,954	799,829
	<u>36,158,069</u>	<u>36,891,724</u>
Average number of employees	<u>53</u>	<u>55</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Financial income

Interest received from group enterprises	0	221
Exchange adjustments	221,220	160,641
	<u>221,220</u>	<u>160,862</u>

4 Financial expenses

Interest paid to group enterprises	6	0
Other financial expenses	23,982	19,050
	<u>23,988</u>	<u>19,050</u>

5 Tax on profit/loss for the year

Current tax for the year	693,104	-509,341
Deferred tax for the year	240,240	-47,251
Adjustment of tax concerning previous years	14,158	22,295
	<u>947,502</u>	<u>-534,297</u>

Notes to the Financial Statements

6 Intangible assets

	Acquired software DKK
Cost at 1 January	50,419
Additions for the year	180,186
Cost at 31 December	<u>230,605</u>
Impairment losses and amortisation at 1 January	<u>0</u>
Impairment losses and amortisation at 31 December	<u>0</u>
Carrying amount at 31 December	<u>230,605</u>

The asset was completed during December 2020 and therefore there are no amortisation.

7 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	<u>2,079,236</u>	<u>146,468</u>	<u>122,580</u>	<u>1,671,706</u>
Cost at 31 December	<u>2,079,236</u>	<u>146,468</u>	<u>122,580</u>	<u>1,671,706</u>
Impairment losses and depreciation at 1 January	1,023,891	146,468	122,580	1,661,426
Depreciation for the year	<u>38,709</u>	<u>0</u>	<u>0</u>	<u>10,280</u>
Impairment losses and depreciation at 31 December	<u>1,062,600</u>	<u>146,468</u>	<u>122,580</u>	<u>1,671,706</u>
Carrying amount at 31 December	<u>1,016,636</u>	<u>0</u>	<u>0</u>	<u>0</u>
Depreciated over	<u>50 years</u>	<u>3-5 years</u>	<u>5 years</u>	<u>10 years</u>

Notes to the Financial Statements

8 Fixed asset investments

	Deposits DKK
Cost at 1 January	529,781
Additions for the year	<u>228,982</u>
Cost at 31 December	<u>758,763</u>
Carrying amount at 31 December	<u>758,763</u>

	2020 DKK	2019 DKK
9 Contract work in progress		
Selling price of work in progress	32,188,040	33,150,355
Payments received on account	<u>-30,674,528</u>	<u>-31,760,955</u>
	<u>1,513,512</u>	<u>1,389,400</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	3,290,756	3,467,763
Prepayments received recognised in debt	<u>-1,777,244</u>	<u>-2,078,363</u>
	<u>1,513,512</u>	<u>1,389,400</u>

10 Deferred tax asset

Deferred tax asset at 1 January	860,743	813,492
Amounts recognised in the income statement for the year	<u>-240,240</u>	<u>47,251</u>
Deferred tax asset at 31 December	<u>620,503</u>	<u>860,743</u>

The Company has recognised the tax assets, which are due to temporary differences, as the Company historically has realised positive taxable income and expect to do this in the years to come. Based on that the Company expect to utilize the tax asset.

In addition, the Company has an estimated tax asset from loss on disposal of property in an amount of DKK 54.734. As the mentioned tax asset only can be used to offset against gain on property, this tax asset has been write-down to DKK 0 in the Financial Statements.

Notes to the Financial Statements

11 Prepayments

Prepayments comprise of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

	<u>2020</u> DKK	<u>2019</u> DKK
12 Distribution of profit		
Retained earnings	2,356,178	-2,003,675
	<u>2,356,178</u>	<u>-2,003,675</u>

13 Provision for guarantee

Provision for guarantee	<u>549,000</u>	<u>424,000</u>
	<u>549,000</u>	<u>424,000</u>

Provision comprises expected warranty claims. The estimate of warranty are based on actual costs of repairs under warranty from prior year.

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	<u>0</u>	<u>1,177,269</u>
Long-term part	0	1,177,269
Other short-term payables	<u>11,053,727</u>	<u>10,555,190</u>
	<u>11,053,727</u>	<u>11,732,459</u>

15 Deferred income

Deferred income contains of pre-invoiced sales.

Notes to the Financial Statements

	2020	2019
	DKK	DKK
16 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2,634,214	1,186,818
Between 1 and 5 years	6,011,211	1,777,034
	8,645,425	2,963,852

Other contingent liabilities

The company's bankers have as at 31 December 2020 issued bank guarantees totalling DKK 3.232.879 to suppliers and customers (2019: DKK 2.470.326).

The Danish group companies were jointly and severally liable for tax on the jointly taxed incomes etc of the Group, with Otis A/S as administration company until the 2nd of April. From the 3rd of April and going forward the Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group, with Carrier Transicold Scandinavia A/S as administration company. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income.

17 Related parties

Basis

Controlling interest

Carrier Fire and Security Denmark Holding A/S, Hvidovre Controlling shareholder

Other related parties

Board of Directors and other Companies in which the Board of Directors have significant interests.

Notes to the Financial Statements

17 Related parties (continued)

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Transactions with closely related parties are made at market conditions. The Executive Board is employed and remunerated by the group company Autronica Fire and Security AS, Norway. The company pays an overhead cost on the products purchased from the group company for this service.

Consolidated Financial Statements

The Company is included in the Group Annual Report of:

<u>Name</u>	<u>Place of registered office</u>
Carrier Global Corporation	USA

The Group Annual Report of Carrier Global Corporation may be obtained at the following address:

Carrier Global Corporation
13995 Pasteur Boulevard
Palm Beach Gardens, Florida 33418
USA

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Autronica Fire and Security A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Carrier Global Corporation, the Company has not prepared a cash flow statement.

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, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been 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.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

18 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

18 Accounting Policies (continued)

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. Finally, provisions for losses on contract work are recognised.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of sales, other operating income.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Other operating income and expenses

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

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with its parents company, Carrier Fire and Security Denmark Holding A/S as well as the other subsidiaries and other Danish group companies. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

18 Accounting Policies (continued)

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

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.

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:

Buildings	50 years
Equipment	5 years
Plant and machinery	5 years
IT	3 years
Leasehold improvements	10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of fixed assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a 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.

Notes to the Financial Statements

18 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments consist of rental deposits which are recognised and measured at amortised cost. Depreciation are not depreciated.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

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

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.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Notes to the Financial Statements

18 Accounting Policies (continued)

Prepayments

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

Equity

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.

Warranty commitments include liabilities for improvement of work within the warranty period of 1-5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$