

ALLEGION (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

TUESDAY



A68J35DE

A08

13/06/2017

#207

COMPANIES HOUSE

ALLEGION (UK) LIMITED

CONTENTS

	Page
Company Information.....	1
Strategic Report for the Year ended 31 December 2016	2
Directors' Report for the Year ended 31 December 2016	3
Independent Auditors' Report to the members of Allegion (UK) Limited 2016	6
Statement of Comprehensive Income for the year ended 31 December 2016	8
Balance Sheet as at 31 December 2016	9
Statement of Changes in Equity for the year ended 31 December 2016	10
Notes to the Financial Statements for the year ended 31 December 2016.....	11

ALLEGION (UK) LIMITED

COMPANY INFORMATION

DIRECTORS

C J Crampton
J D Stanley

COMPANY SECRETARY

N Doherty

REGISTERED NUMBER

00029131

REGISTERED OFFICE

35 Rocky Lane
Aston
Birmingham
B6 5RQ
England

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

ALLEGION (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 Registered number: 00029131

The directors present the Strategic Report, Directors' Report and the audited financial statements of the Company for the year ended 31 December 2016.

BUSINESS REVIEW

The Company made an operating profit of £4.2m (2015: £2.4m). Profit before taxation for the year is £2.7m (2015: £0.6m), and after a taxation charge of £ 1.1m (2015: £0.9m), the profit for the year amounts to £1.6m (2015: loss of £0.3m). At 31 December 2016 the Company had net assets of £15.3m (2015: £15.0m).

The Company is on a journey of transforming the business by moving from a supplier of components to providing solutions for chosen vertical markets, creating demand through specification and moving towards strategic pricing, whilst maintaining strong customer relationships, channel management and brand equity.

Following the results of the United Kingdom EU referendum, the directors have begun considering the implications which at this stage remain uncertain. As there has been no changes in strategy and any impact in the short term is concluded as unlikely, there have been no additional disclosures or adjustments to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks.

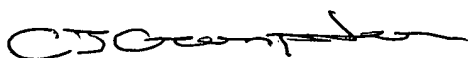
The key business risks and uncertainties affecting the Company are considered to relate to competition from both national and independent manufacturers/distributors, employee retention and new technologies. The Company's strategy for combating these risks is to continually invest in new technology and product innovations and through pursuing employee involvement and complying with employment policies.

KEY PERFORMANCE INDICATORS

The Company's directors and senior managers gain an understanding of the development, performance and position of the business by analysing financial and non-financial KPIs. The operating income and revenue is closely monitored against the annual operating plan to ensure financial performance is achieved and maintained. The distribution function, with a focus on working capital management, utilises KPIs such as inventory days and days sales outstanding. Customer experience, being a key element of strategy, is driven through consistent lead times; monitored by on time deliveries, past dues and new product introduction. The review of non-financial indicators such as environmental compliance, internal control compliance and employee engagement scoring allows confidence that the company is providing a safe and attractive work place whilst being a responsible presence within the community.

The scorecard is presented at each business review meeting, facilitating the communication of KPI achievement and allowing the board to take appropriate action in order to ensure that company strategy is realised.

This report was approved by the board on 7 June 2017 and signed on its behalf by:



C J Crampton
Director

ALLEGION (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and the audited financial statements of Allegion (UK) Limited (the "Company") for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The Company is engaged in the design, specification and supply of a wide range of branded door and security hardware; being both mechanical products and electronic solutions for architects, end users, contractors and distributors.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £1.6m (2015: loss of £0.3m).

No dividends have been paid and recommended during 2016 (2015: £Nil).

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements were:

C J Crampton
J D Stanley

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a number of financial risks that include price risk, credit risk, liquidity risk, interest rate risk and cash flow risk. Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department as required.

Price risk

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the costs of actively managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Often new customers are given cash accounts, then migrate to credit accounts once a payment history is established. The Company uses third party online credit evaluations as well as Companies House information, including latest financial statement submissions.

Liquidity risk

The Company actively manages its working capital requirements to ensure it has sufficient funds for its operations. This together with continued monitoring of cash collection on receivables and the Company's cash rich situation has mitigated any liquidity risk. The requirement for medium to long term debt finance will be reviewed by the board of directors based on the Company's forecast requirements.

Interest rate and cash flow risk

The Company has a policy of maintaining short term deposits and cash balances at a level sufficient to fund its operations. The directors will revisit the appropriateness of this policy should the Company's operations or cash balances change in size or nature.

ALLEGION (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

FUTURE DEVELOPMENTS

The directors believe that the Company has ended the year in a strong position. The continuous investments in the sales organisation and new products including further expansion in Europe and the Middle East will all enable the business to grow both sales and profitability in the future. In order to continue meeting customer needs, the Company aims to provide new focus on developing solutions and specification capabilities across Europe, therefore creating demand. The Company continues to drive efficiencies to improve margins, utilising tools such as Lean Six Sigma and actively engages ideas for improvements from all employees.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company continues to invest in new products and technology to maintain its competitive advantage over its competitors. All costs are charged to the profit and loss account at the time they are incurred.

EMPLOYMENT POLICIES

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, ethnicity, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

EMPLOYEE INVOLVEMENT

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests.

The Company encourages the involvement of employees by means of regular monthly calls where employees are free to raise questions and voice comments to the directors and management of the Company on any issue they feel relevant. The Company also holds annual conferences with all of its employees where there is a review of the current and prior year's performance together with future goals and objectives of the business. Employees are also free to ask any questions and comment direct to the directors of the Company in small informal groups.

The Company also holds reviews biannually for each employee with their direct manager. This forum is used to address any issues and concerns from the employee and from the Company and is also used to help identify and encourage individual growth and development of the employee as well as identify any training needs that the Company can accommodate.

The Company operates an employee engagement survey each year to gather feedback and recommendations from employees and the directors of the business then review these findings and authorise any appropriate action to be taken.

ALLEGION (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DISCLOSURE OF INFORMATION TO AUDITORS

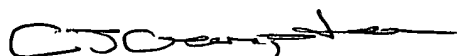
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 7 June 2017 and signed on its behalf by:



C J Crampton
Director

ALLEGION (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLEGION (UK) LIMITED

Report on the financial statements

Our opinion

In our opinion, Allegion (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

ALLEGION (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLEGION (UK) LIMITED

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Ian Wall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
9 June 2017

ALLEGION (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £M	2015 £M
Revenue	5	34.5	32.6
Cost of sales		(22.5)	(22.6)
Gross profit		12.0	10.0
Distribution costs		(5.7)	(5.0)
Administrative expenses		(2.1)	(2.6)
Operating profit/(loss)	6	4.2	2.4
Dividend Income		0.1	-
Interest payable and similar expenses	10	(1.6)	(1.8)
Profit before taxation		2.7	0.6
Tax on profit	11	(1.1)	(0.9)
Profit/(loss) for the financial year		1.6	(0.3)
Other comprehensive income/(expense):			
Actuarial losses on defined benefit pension scheme		(1.6)	(6.3)
Movement of deferred tax relating to pension deficit		0.3	1.4
Other comprehensive expense for the year		(1.3)	(4.9)
Total comprehensive income/(expense) for the year		0.3	(5.2)

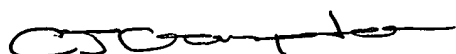
ALLEGION (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Note	2016 £M	2015 £M
Fixed assets			
Intangible assets	12	2.7	3.3
Tangible assets	13	0.9	0.1
Investments	14	6.4	6.4
		<u>10.0</u>	<u>9.8</u>
Current assets			
Inventory	15	3.6	2.7
Debtors	16	110.1	110.3
Cash and cash equivalents	17	2.6	2.8
		<u>116.3</u>	<u>115.8</u>
Creditors: amounts falling due within one year	18	(108.2)	(108.0)
Net current assets		<u>8.1</u>	<u>7.8</u>
Total assets less current liabilities		<u>18.1</u>	<u>17.6</u>
Provisions for liabilities			
Pension liability	21	(2.8)	(2.4)
Other provisions	20	-	(0.2)
Net assets		<u>15.3</u>	<u>15.0</u>
Capital and reserves	22		
Called up share capital	23	6.0	6.0
Share premium account		3.6	3.6
Revaluation reserve		2.7	2.7
Capital redemption reserve		0.9	0.9
Retained earnings		2.1	1.8
Total shareholders' funds		<u>15.3</u>	<u>15.0</u>

The financial statements on pages 8 to 30 were approved by the Board of Directors on 7 June 2017 and signed on its behalf by



C J Crampton
Director

ALLEGION (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £M	Share premium account £M	Capital redemption reserve £M	Revaluation reserve £M	Retained earnings £M	Total shareholders' funds £M
At 1 January 2016	6.0	3.6	0.9	2.7	1.8	15.0
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	1.6	1.6
Actuarial losses on pension scheme net of deferred taxation	-	-	-	-	(1.3)	(1.3)
Total comprehensive income for the financial year	-	-	-	-	0.3	0.3
At 31 December 2016	6.0	3.6	0.9	2.7	2.1	15.3

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £M	Share premium account £M	Capital redemption reserve £M	Revaluation reserve £M	Retained earnings £M	Total shareholders' funds £M
At 1 January 2015	6.0	-	0.9	2.7	7.0	16.6
Comprehensive income for the year						
Loss for the financial year	-	-	-	-	(0.3)	(0.3)
Actuarial losses on pension scheme net of deferred taxation	-	-	-	-	(4.9)	(4.9)
Total comprehensive income for the financial year	-	-	-	-	(5.2)	(5.2)
Shares issued during the year	-	3.6	-	-	-	3.6
At 31 December 2015	6.0	3.6	0.9	2.7	1.8	15.0

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

Allegion (UK) Limited's (the "company") principal activities is the design, specification and supply of a wide range of branded door and security hardware; being both mechanical products and electronic solutions for architects, end users, contractors and distributors.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is: 35 Rocky Lane, Aston, Birmingham, West Midlands, B6 5RQ.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The Company has also elected to adopt the revisions to the Companies Act 2006 as set out in Statutory Instrument 2016/980 ahead of the mandatory implementation date, being for years commencing on or after 1 January 2016.

3. ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis, under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006 (as amended by Statutory Instrument 2016/980).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 4).

The following principal accounting policies have been applied consistently throughout the year:

3.2 EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- a reconciliation of the number of shares outstanding at the beginning and end of the period [FRS 102 para 4.12 (a)(iv)];
- the requirement to prepare a statement of cash flows. [Section 7 of FRS 102 and para 3.17(d)];
- certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. [FRS 102 paras 11.39 - 11.48A, 12.26 - 12.29];
- the non-disclosure of key management personnel compensation in total. [FRS 102 para 33.7].

This information is included in the consolidated financial statements of Allegion plc as at 31 December 2016 which can be obtained from The Corporate Secretary, Allegion plc, Block D, Iveagh Court, Harcourt Road, Dublin 2, Co. Dublin, Ireland.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. ACCOUNTING POLICIES (continued)

3.3 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption, under FRS 102 paragraph 33.1A, from disclosing transactions with members of the same group that are wholly owned.

3.4 CONSOLIDATION

By virtue of Section 401 of the Company's Act 2006, the Company is exempt from submitting Group financial statements. Consolidated financial statements are prepared by the ultimate holding Company; Allegion plc. Copies of consolidated financial statements may be obtained as detailed in note 25.

3.5 REVENUE

Revenue represents the amounts receivable for the provision of goods and services falling within the Company's ordinary activities, excluding value added tax. Revenue is recognised upon delivery of goods and services to customers.

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. ACCOUNTING POLICIES (continued)

3.6 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life of 10 years.

OTHER INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Software	-	2 - 7 years
Goodwill	-	10 years

Amortisation is included within administrative expenses in the Statement of Comprehensive Income.

3.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 5 -12 years
---------------------	---------------

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. ACCOUNTING POLICIES (continued)

3.8 REVALUATION OF TANGIBLE ASSETS

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

3.9 OPERATING LEASES

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

3.10 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period.

3.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, inventories are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

3.12 TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. ACCOUNTING POLICIES (continued)

3.13 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.14 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

3.15 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. ACCOUNTING POLICIES (continued)

3.16 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is pounds sterling and the Company's financial statements are presented in pound sterling and rounded to millions.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

3.17 FINANCE COSTS

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.18 LEASED ASSETS

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Statement of Comprehensive Income over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. ACCOUNTING POLICIES (continued)

3.19 PENSIONS

The Company operates two pension schemes which are held in the name of Allegion UK Pension Plan.

A defined contribution pension scheme is operated and is open to new employees. The contributions of which are charged to the Company's Statement of Comprehensive Income in the year in respect of which they become payable.

The Company is a member of a group defined benefit scheme which is closed to new employees.

Under defined benefit scheme accounting, the amounts charged to operating profit are the current service costs, excluding the costs of servicing the investments, and gains and losses on settlements and curtailments. They are included within staff costs and charged or credited to the statutory Statement of Comprehensive Income headings to which they relate. Past service costs are recognised immediately in the Statement of Comprehensive Income if the benefits have vested. If the benefits have not vested immediately the costs are recognised over the period until vesting occurs. The interest cost, the cost of servicing the investments and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

The assets of the scheme are held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

3.20 INTEREST INCOME

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

3.21 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. ACCOUNTING POLICIES (continued)

3.22 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3.23 RESEARCH AND DEVELOPMENT

Expenditure on research and development is charged to the Statement of Comprehensive Income in the financial year in which it is incurred.

3.24 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Provision is made for obsolete and slow moving inventory, rebates, bonus payments and obligations such as warranty. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

The Company stores and distributes mechanical hardware, for which management considers the recoverability and provides for accordingly based on usage over time, excess in relation to sales in the year and obsolescence of unsaleable or discontinued items.

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

5. REVENUE

The whole of revenue is attributable to its principal activity.

Analysis of revenue by country of destination:

	2016	2015
	£M	£M
United Kingdom	20.3	18.9
Rest of the World	14.2	13.7
	<u>34.5</u>	<u>32.6</u>

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2016	2015
	£M	£M
Research & development charged as an expense	0.1	0.1
Amortisation of intangible assets, including goodwill	0.6	0.4
Exchange differences	(0.2)	(0.1)
Operating lease rentals	0.7	0.7
Movement on inventory position	(0.4)	(0.4)
Stocks recognised as an expense	21.1	20.2

7. AUDITORS' REMUNERATION

	2016	2015
	£M	£M
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	0.1	0.1

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2016	2015
	£M	£M
Wages and Salaries	5.3	4.4
Social security costs	0.4	0.4
Other pension costs	0.3	0.4
	6.0	5.2

The average monthly number of employees during the year, including the directors, was as follows:

	2016	2015
	Number	Number
Hourly paid	-	1
Other	79	74
	79	75

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****9. DIRECTORS' REMUNERATION**

	2016	2015
	£M	£M
Directors' emoluments	<u>0.5</u>	<u>0.4</u>

The highest paid director received remuneration of £0.3m (2015: £0.3m).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2015: £NIL).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2015: £NIL).

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016	2015
	£M	£M
Net interest on post-employment benefits	<u>(1.6)</u>	<u>(1.8)</u>

11. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2016	2015
	£M	£M
Deferred tax		
Origination and reversal of timing differences	0.5	0.2
Changes to tax rates	0.5	1.1
Adjustments in respect of prior periods	0.1	(0.4)
Total deferred tax	<u>1.1</u>	<u>0.9</u>
Tax on profit/(loss) on ordinary activities	<u>1.1</u>	<u>0.9</u>

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. TAX ON PROFIT (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below

	2016 £M	2015 £M
Profit on ordinary activities before tax	<u>2.7</u>	<u>0.6</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	0.5	0.1
Effects of:		
Expenses not deductible for tax purposes	-	0.1
Adjustments to tax charge in respect of prior periods	0.1	(0.4)
Changes in tax rates	<u>0.5</u>	<u>1.1</u>
Total tax charge for the year	<u>1.1</u>	<u>0.9</u>

Factors that may affect future tax charges

The July 2015 Budget Statement announced changes (which were subsequently enacted) to the UK Corporation tax regime which will reduce the main rate of Corporation Tax to 19.00% from 1 April 2017 and 18.00% from 1 April 2020. A further change was announced in the March 2016 Budget to further reduce the Corporation Tax rate to 17.00% by 1 April 2020, which has been substantively enacted.

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. INTANGIBLE ASSETS

	Software £M	Goodwill £M	Total £M
Cost			
At 1 January 2016	1.9	2.9	4.8
At 31 December 2016	1.9	2.9	4.8
Accumulated amortisation			
At 1 January 2016	1.3	0.2	1.5
Charge for the year	0.3	0.3	0.6
At 31 December 2016	1.6	0.5	2.1
Net book value			
At 31 December 2016	0.3	2.4	2.7
At 31 December 2015	0.6	2.7	3.3

13. TANGIBLE ASSETS

	Total £M
Cost or valuation	
At 1 January 2016	0.7
Additions	0.9
Disposals	(0.5)
At 31 December 2016	1.1
Accumulated depreciation	
At 1 January 2016	0.6
Disposals	(0.4)
At 31 December 2016	0.2
Net book value	
At 31 December 2016	0.9
At 31 December 2015	0.1

ALLEGION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

14. INVESTMENTS

	Investments in subsidiary companies £m
Cost or Valuation	
At 1 January 2016	6.4
At 31 December 2016	6.4
Net book value	
At 1 January 2016	6.4
At 31 December 2016	6.4

Subsidiary Undertakings

The following were subsidiary undertakings of the Company

Name	Country of incorporation	Registered address	Class of shares	Holding	Principal activity
NT Group Properties Ltd	England & Wales	35 Rocky Lane, Aston, Birmingham, B6 5RQ	Ordinary	100%	Dormant holding company
NT Leamington Ltd	England & Wales	35 Rocky Lane, Aston, Birmingham, B6 5RQ	Ordinary	26%	Dormant holding company
Newman Tonks (Overseas) Holdings Ltd	England & Wales	35 Rocky Lane, Aston, Birmingham, B6 5RQ	Ordinary	100%	Dormant holding company
Zero Seal Systems Ltd	England & Wales	Units 43-45 Ladford Covert, Seighford, Stafford, ST18 9QG	Ordinary	51%	Active trading company
Smith Wallis & Co Ltd	England & Wales	The Crescent, Birmingham Business Park, Birmingham, B37 7YX	Ordinary	100%	Dormant liquidated company

The directors believe that the carrying value of the investments is supported by their underlying net assets.

15. INVENTORIES

	2016	2015
	£M	£M
Raw materials and consumables	0.3	0.2
Finished goods and goods for resale	3.3	2.5
	3.6	2.7

ALLEGION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

16. DEBTORS

	2016	2015
	£M	£M
Trade debtors	6.4	6.6
Amounts owed by group undertakings	95.2	94.5
Deferred taxation	8.0	8.8
Prepayments and accrued income	0.5	0.4
	<u>110.1</u>	<u>110.3</u>

Included in amounts owed by group undertakings are loans to various related companies which are repayable on demand. No interest is charged on these loans.

17. CASH AND CASH EQUIVALENTS

	2016	2015
	£M	£M
Cash at bank and in hand	<u>2.6</u>	<u>2.8</u>

18. CREDITORS: Amounts falling due within one year

	2016	2015
	£M	£M
Trade creditors	2.5	1.8
Amounts owed to group undertakings	104.0	103.9
Other taxation and social security	0.1	0.1
Accruals and deferred income	1.6	2.2
	<u>108.2</u>	<u>108.0</u>

The Company has several unsecured loans from other related companies which are part of the Group. While they are repayable on demand, the directors consider that these loans are not expected to be paid in the foreseeable future and do not attract interest.

ALLEGION (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. DEFERRED TAXATION

	Deferred taxation
	£M
At 1 January 2016	8.8
Charged to the profit or loss	(1.1)
Charged to other comprehensive income	0.3
At 31 December 2016	<u>8.0</u>

The deferred tax asset is made up as follows:

	2016	2015
	£M	£M
Accelerated capital allowances	0.6	0.7
Tax losses carried forward	0.6	7.5
Short term timing differences	6.8	0.6
	<u>8.0</u>	<u>8.8</u>

20. OTHER PROVISIONS

	Onerous Leases
	£M
Cost or Valuation	
At 1 January 2016	0.2
Charged to the profit or loss	0.2
Utilised in year	(0.4)
At 31 December 2016	<u>-</u>

Provision for the expected costs arising from onerous leases on properties no longer occupied by the Company were released once all obligations were satisfied.

ALLEGION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

21. PENSION COMMITMENTS

The Company participates in the Allegion UK Pension Plan.

This is a funded defined benefit scheme providing benefits for Allegion employees in the UK. This fund is closed to all new employees, however they are eligible to join a defined contribution scheme. Contributions are based on pension costs across the UK group as a whole.

Following the merger of the Company's pension scheme into the Ingersoll-Rand Holdings Limited Retirement Benefits plan in 2004, the Company has accounted for the plan until 1 December 2010 as if it were a defined contribution scheme. The Company accounted for the plan as a defined contribution scheme until then as it was not possible to identify the Company's share of the assets and liabilities of the scheme.

From 1 December 2010, the Company agreed with the other remaining participant of the pension scheme, Ingersoll-Rand European Sales Limited, the basis of responsibility and future funding for the assets and liabilities of the scheme, which enabled a reasonable basis for determining the share of the assets and liabilities attributable to the Company. Accordingly, from this date the Company has accounted for the scheme as a defined benefit scheme.

As part of the Allegion Spin, there was a bulk transfer of the Company's portion of the IR Plan's assets and liabilities to a new pension scheme, the Allegion UK Pension Plan, with effect from 1 December 2013. After this date, the Company is entirely responsible for the assets and liabilities of the Plan, and no longer participates in the IR Plan (with the whole of the IR Plan's assets and liabilities now attributable to IRESA).

Following completion of the formal actuarial valuation of the Plan as at 5 April 2014, the Company has agreed to contribute 25.90% per year of active members' pensionable salaries with effect from 1 August 2015 (with contributions of 23.30% per year before this date). The Company has agreed to pay deficit reduction contributions of £1.5 million per calendar year from 2015 to 2021 with a further £0.2 million payable in 2022. In addition, the Company has agreed to pay £1.2 million per annum to cover Plan expenses. The Company contributions will be reviewed as part of the Plan's 2017 actuarial valuation and may be revised at that point.

Expected return on assets is calculated using the Net interest Cost which is measured using the pension plan discount rate, which was assumed to be 2.53% (2015: 3.75%) p.a. over 2016.

	2016	2015
	£M	£M
Reconciliation of present value of plan liabilities		
At the beginning of the year	(229.8)	(226.80)
Current Service cost	(0.2)	(0.3)
Interest cost	(8.2)	(8.3)
Actuarial losses	(59.0)	(3.2)
Contributions	-	(0.1)
Benefits paid	13.4	8.9
At the end of the year	(283.8)	(229.8)

ALLEGION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2016

21. PENSION COMMITMENTS (continued)

	2016	2015
	£M	£M
Reconciliation of present value of plan assets		
At the beginning of the year	227.4	234.0
Interest income	6.6	6.7
Actuarial gains/(losses)	57.5	(7.4)
Contributions	2.9	2.9
Benefits paid	(13.4)	(8.9)
Plan participants' contributions	-	0.1
At the end of the year	281.0	227.4
Composition of plan assets:	2016	2015
	£M	£M
Return seeking assets	61.8	81.3
Bonds	98.9	101.0
Property	31.7	8.4
Cash/other	88.6	36.7
Total plan assets	281.0	227.4
	2016	2015
	£M	£M
Fair value of plan assets	281.0	227.4
Present value of plan liabilities	(283.8)	(229.8)
Net pension scheme liability	(2.8)	(2.4)
The amounts recognised in profit or loss are as follows:	2016	2015
	£M	£M
Current service cost	(0.2)	(0.2)
Interest on obligation	(1.6)	(1.8)
Total	(1.8)	(2.0)
Actual return on scheme assets	64.0	(0.7)

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. PENSION COMMITMENTS (continued)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2016	2015
	%	%
Discount rate	2.53	3.70
Future salary increases	3.25	3.00
Price inflation (RPI)	3.25	3.00
Price inflation (CPI)	2.25	2.00
Pension increases (RPI-linked)	3.00	2.75
Pension increases (CPI-linked)	2.00	1.75
Plan participant census date	05/04/2014	05/04/2014

22. CAPITAL AND RESERVES

Share premium

The share premium account represents the consideration received on the issue of share in the company in excess of the nominal value of those share, net of share issue costs, bonus issues of shares and any subsequent capital reductions.

Revaluation reserve

The revaluation reserve represents the difference between the historical cost of the company's property assets and their carrying value based on the revalued amount.

Capital redemption reserve

The capital redemption reserve represents non-distributable reserves in relation to the investments in the dormant subsidiaries.

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

23. CALLED UP SHARE CAPITAL

	2016	2015
	\$	\$
Allotted, called up and fully paid		
24,194,881 (2015: 24,194,881) Ordinary shares of £0.25 each	6.0	6.0

This is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

24. FINANCIAL COMMITMENTS

	Land and buildings 2016 £M	Other 2016 £M	Land and buildings 2015 £M	Other 2015 £M
Annual commitments under non-cancellable operating leases which expire:				
Expense in the period	0.5	0.2	0.4	0.3
Within one year	0.2	0.1	0.3	0.1
Between two and five years	0.2	-	-	-
	<u>0.9</u>	<u>0.3</u>	<u>0.7</u>	<u>0.4</u>

Other commitments relate to vehicle leasing, photocopiers and IT equipment.

25. RELATED PARTY TRANSACTIONS

In 2016, the Company sold inventory of £46,473 to Zero Seal Systems Ltd. The outstanding receivable at the year end was £5,536 (2015: £529). The amount is due within 30 days end of month terms.

26. POST BALANCE SHEET EVENTS

Following the results of the United Kingdom EU referendum, the directors have begun considering the implications which at this stage remain uncertain. As there has been no changes in strategy and any impact in the short term is concluded as unlikely, there have been no additional disclosures or adjustments to the financial statements.

27. CONTROLLING PARTY

The Company's immediate parent Company is Allegion Investments (UK) Limited which is a Company registered in England and Wales. Copies of the immediate parent undertaking's financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company's ultimate parent Company and ultimate controlling party is Allegion plc, a Company incorporated in Dublin, Ireland. This is the largest and smallest group to consolidate these financial statements.

Copies of the consolidated financial statements may be obtained from The Corporate Secretary, Allegion plc, Block D, Iveagh Court, Harcourt Road, Dublin 2, Co. Dublin, Ireland.