ASSA ABLOY Limited

Annual report and financial statements

for the year ended 31 December 2017

Registered number: 02096505

ASSA ABLOY Limited

Annual report and financial statements for the year ended 31 December 2017

Contents

ASSA ABLOY Limited

Strategic report for the year ended 31 December 2017

The directors present their strategic report on ASSA ABLOY Limited for the year ended 31 December 2017.

Review of the business

The company is the primary UK subsidiary of ASSA ABLOY AB, a company quoted on the Swedish Stock Exchange. The ASSA ABLOY Group is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience.

The company continued to operate divisionally in the year through, ABLOY, Adams Rite, ASSA, ASSA ABLOY Access Control, ASSA ABLOY Security Doors, Chubb Locks Custodial Services, eTag, ILS, Mul-T-Lock, Traka, Union, Yale Door and Window Solutions and Yale.

During 2017 we found the economy stabilised and consumer confidence returned. The company had good organic growth in revenues and profitability throughout the year, particularly in the export market.

Market conditions continued to be competitive throughout 2017 and into 2018 and the ongoing Brexit negotiations continue to bring challenges, not least around the management of foreign exchange risks and increasing raw material prices. The directors continue to monitor the financial impacts of the Brexit negotiations closely and are reviewing a number of strategies to mitigate the risk appropriately.

The directors are pleased to report continued growth in revenue on prior year of 14.7% (2016: 4.9%) and a strong operating profit (before exceptional items) as a percentage of revenue of 12.9% (2016: 12.5%). There is a continued focus on actions to support future improvements in the profitability of the business, predominantly relating to fixed operating cost reductions through operational restructuring programs around the group and margin improvement.

Exceptional operating costs of £1,698,000 (2016: £10,171,000) were incurred in the year, of which £1,698,000 (2016: £2,672,000) related to restructuring projects that relate to employment termination and factory reorganisation costs. In the prior year, there was also a £7,499,000 write-off in relation to group technology project implementation costs no longer being recharged to other ASSA ABLOY AB group undertakings.

As part of an ongoing ASSA ABLOY AB group restructuring programme, the company also placed into members' voluntary liquidation a number of dormant subsidiaries of the company.

Overall the directors are satisfied with the performance of the company during the year and of its position at the end of the year.

Key Performance Indicators

The directors consider that the growth in turnover, operating profit percentage and net profit percentage to be the most appropriate performance indicators for the company.

Principal risks and uncertainties

As with all trading businesses, the company is exposed to risks during the conduct of its normal business operations. The company maintains a range of insurance policies against major insurable risks including damage to property and equipment. Whilst it is not possible to record or quantify every material risk within the company, below is a summary of the key risks that the directors believe could have a material impact on future performance and also how this risk has been mitigated.

Strategic report for the year ended 31 December 2017 (continued)

Principal risks and uncertainties (continued)

Strategic risks

Risks of this nature include;

- changes in the economic and political environment;
- changes in customer buying patterns and behaviour;
- competitors;
- brand positioning;
- environmental risks; and
- business channel specific risks.

Relevant economic indicators are reviewed by the management team on a regular basis. Customers and suppliers are subject to continuous review.

The company also operates in line with the Code of Conduct developed by ASSA ABLOY AB, its ultimate parent company.

Operational risks

The key operational risks with a potential impact on the company's financial position are considered by management to be;

- price and currency fluctuations and availability of raw material – these are managed by utilising professional procurement;
- acquisition risks – these are managed by adopting a uniform and predefined process supported by external consultants where required;
- legal risks – these are managed by reviewing legislative changes and utilising external counsel; and
- internal control risks and financial reporting risks – these are addressed annually in the form of a Group self-assessment to ensure compliance with the Group's internal control manual.

Health and Safety

Due to the nature of the business and the manufacturing working environment, the company highlights Health and Safety as a principal risk. The company has significantly invested in Health and Safety and through regular monitoring have noted marked improvements in this area.

On behalf of the board

N. A. Vann
Director
27 June 2018

ASSA ABLOY Limited

Directors' report for the year ended 31 December 2017

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

Principal activities

The principal activity of the company was the manufacture, distribution and sale of door and window locking products, architectural hardware, key management solutions and other door opening solutions.

Future developments

A focus on customer value and innovations continues to accelerate growth and profitability. The company expects to continue to be acquisitive if the right opportunities present themselves in the future. The directors also continue to closely monitor the impacts on foreign currency exchange rates, the wider economy and trade deals with other EU countries in light of the continued BREXIT negotiations.

Results and dividends

The directors recommended and paid a dividend in the year of £8,500,000 (2016: £nil). The company's profit for the financial year was £22,644,000 (2016: £8,690,000).

Events after the end of the reporting period

On 1 February 2018, the company acquired the entire ordinary issued share capital of Progress Ventures Limited and its subsidiary undertakings (Dale Hardware Limited and Excel Architectural Hardware Limited), leading suppliers of architectural hardware to builder's merchants in the UK.

On 1 June 2018, the company acquired the trade and net assets of its subsidiary undertakings Trojan Holdings Limited, Trojan Manufacturing Group Limited, Trojan Hardware and Design Limited and Trojan Diecasting Limited. The acquisitions were made at book value and the consideration payable was settled via the intercompany loan account.

Research and development

The company's expenditure on research and development during the year amounted to £7,681,000 (2016: £6,526,000) equivalent to 3.8% of sales (2016:3.7%).

The standardisation in the company's common platforms continues and should result in lower development costs and a shorter development time for new products. Digitalisation is rapidly shifting the demand for more electronic and mobile security solutions therefore conscientious investments are being made.

Financial risk management

The company's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit adverse effects on its financial performance.

Foreign exchange risk

The company is exposed to currency risk when it has binding commercial or financial obligations in a currency other than its functional currency and the related cash inflows and outflows are not equal in amounts and timing.

Activities are focused on transactional cash flows which arise predominantly from receivables and payables. The company operates a number of currency accounts within the ASSA ABLOY AB Group treasury function which seeks to mitigate foreign exchange risk at a Group level.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is regularly reassessed by the management of the company. The company also has a credit insurance policy in place to minimise any potential credit risk.

Liquidity risk

The company actively maintains a mixture of long term and short term debt finance through the ASSA ABLOY AB Group treasury function that is designed to ensure the company has sufficient available funds for its operations and planned expansions.

Directors

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

N. A. Vann
J. A. Sasse
A. D. Talbot-Cooper (resigned 11 December 2017)
C. D. Browning
I. Wiesenfeld
P. Browne
L. Philp
W. Weston (appointed 11 December 2017)
M. J. Marron (appointed 20 March 2018)

Qualifying third party indemnity provisions

During the financial year and also at the date of approval of the financial statements a qualifying third party indemnity provision was in place for the benefit of all directors of the company.

Employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees continues through the in-house newsletters, briefings and the distribution of the annual report. A regular suggestion and feedback scheme operates throughout the business. The suggestions, resulting responses and actions are shared throughout the business.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Corporate social responsibility

Ongoing and potential environmental risks are regularly monitored in the operations of the company. External expertise is brought in for environmental assessments when necessary.

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 101 "Reduced Disclosure Framework", 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:

Directors' report for the year ended 31 December 2017 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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.

Statement of disclosure of information to the auditors

In the case of each of the persons who are directors at the time this report is approved, under Section 418 (1) to (4) of the Companies Act 2006, the following applies;

- 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 information and to establish that the company's auditors are aware of that information.

On behalf of the board

C. D. Browning
Director
27 June 2018

Independent auditors' report to the members of ASSA ABLOY Limited

Report on the audit of the financial statements

Opinion

In our opinion, ASSA ABLOY Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of ASSA ABLOY Limited (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Responsibilities for the financial statements and the audit (continued)

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Simon Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
27 June 2018

ASSA ABLOY Limited

Income statement for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	3	**203,987**	177,897
Cost of sales		**(119,235)**	(102,693)
Gross profit		**84,752**	75,204
Net operating expenses	4	**(60,109)**	(63,176)
Operating profit			
Before exceptional items	5	**26,341**	22,199
Exceptional items	6	**(1,698)**	(10,171)
Operating profit		**24,643**	12,028
Income from shares in group undertakings		**4,066**	1,938
Profit before interest and taxation		**28,709**	13,966
Interest payable and similar expenses	10	**(1,466)**	(1,454)
Profit before taxation		**27,243**	12,512
Tax on profit	11	**(4,599)**	(3,822)
Profit for the financial year		**22,644**	8,690

All items dealt with in arriving at operating profit relate to continuing operations.

There is no difference between the profit before taxation and the profit for the financial year stated above, and their historical cost equivalents.

The notes on pages 13 to 40 form part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2017

	Note	**2017** £'000	2016 £'000
Profit for the financial year		**22,644**	8,690
Items that will not be reclassified to the income statement:			
Actuarial gain/(loss) on pension scheme	22	**4,445**	(4,933)
Movement on deferred tax relating to pension deficit	11	**(756)**	839
Other comprehensive income/(expense) for the year, net of tax		**3,689**	(4,094)
Total comprehensive income for the year		**26,333**	4,596

ASSA ABLOY Limited

Statement of financial position as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	12	**125,376**	118,327
Tangible assets	13	**11,105**	7,581
Investments	14	**39,579**	48,489
		176,060	174,397
Current assets			
Inventories	15	**29,491**	26,778
Debtors: amounts falling due within one year	16	**57,201**	60,692
Debtors: amounts falling due after more than one year	16	**2,445**	3,511
Cash at bank and in hand		**35,293**	9,536
Assets classified as held for sale	17	**706**	4,337
		125,136	104,854
Creditors: amounts falling due within one year	18	**(48,601)**	(37,904)
Net current assets		**76,535**	66,950
Total assets less current liabilities		**252,595**	241,347
Creditors: amounts falling due after more than one year	19	**(40,006)**	(40,000)
Provisions for liabilities	20	**(23,054)**	(29,645)
Net assets		**189,535**	171,702
Capital and reserves			
Called up share capital	21	**1,330**	1,330
Share premium account		**954**	954
Retained earnings		**187,251**	169,418
Total shareholders' funds		**189,535**	171,702

The financial statements on pages 9 to 40 were approved by the board of directors' on 27 June 2018 and were signed on its behalf by:

C. D. Browning
Director
ASSA ABLOY Limited
Registered number 02096505

ASSA ABLOY Limited

Statement of changes in equity for the year ended 31 December 2017

	Note	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total Shareholders' funds £'000
At 1 January 2016		1,330	954	164,822	167,106
Profit for the financial year		-	-	8,690	**8,690**
Other comprehensive (expense)/income for the year:					
Actuarial loss on pensions scheme	22	-	-	(4,933)	**(4,933)**
Movement on deferred tax relating to pension deficit	11	-	-	839	**839**
Total comprehensive income for the year		-	-	4,596	**4,596**
At 31 December 2016		**1,330**	**954**	**169,418**	**171,702**
At 1 January 2017		1,330	954	169,418	**171,702**
Profit for the financial year		-	-	22,644	**22,644**
Other comprehensive income/(expense) for the year:					
Actuarial gain on pensions scheme	22	-	-	4,445	**4,445**
Movement on deferred tax relating to pension deficit	11	-	-	(756)	**(756)**
Total comprehensive income for the year		-	-	26,333	**26,333**
Dividends paid and total transactions with owners, recognised directly in equity	9	-	-	(8,500)	**(8,500)**
At 31 December 2017		**1,330**	**954**	**187,251**	**189,535**

Notes to the financial statements for the year ended 31 December 2017

1 Principal accounting policies

General information

The principal activity of the company is the manufacture, distribution and sale of door and window locking products, architectural hardware, key management solutions and other door opening solutions.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. Its registered address is Portobello, School Street, Willenhall, West Midlands, WV13 3PW.

Basis of preparation

The financial statements of the Company have been prepared in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), except in relation to goodwill. Under IFRS 3 'Business Combinations', goodwill is not amortised, but is reviewed for impairment on an annual basis. This is a departure from the requirements of the Companies Act 2006, which requires goodwill to be amortised over its useful economic life. However, the departure is necessary in order to comply with the requirements of IFRS 3. The Company is therefore invoking a 'true and fair' view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill, a period of 20 years would have been chosen as its useful economic life. Profit for the financial year would have been £9,586,000 lower (2016: £9,586,000 lower) had goodwill been amortised on this basis.

The accounting policies set out below have been consistently applied to all the years presented unless otherwise stated. They have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006.

Consolidated financial statements have not been prepared by the company as it is entitled to the exemption under section 400 of the Companies Act 2006, by virtue of being included in the consolidated financial statements of ASSA ABLOY AB. These financial statements present information about the company as an individual undertaking and not about its group.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Exemptions

As permitted by FRS101, the company has taken advantage of the following disclosure exemptions available under that standard in relation to;

– IFRS 7, 'Financial Instruments: Disclosures'

– Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 Property, plant and equipment;

(iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

1 Principal accounting policies (continued)

Exemptions (continued)

– The following paragraphs of IAS 1, 'Presentation of financial statements':

- – 10(d), (statement of cash flows)
- – 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
- – 16 (statement of compliance with all IFRS),
- – 38A (requirement for minimum of two primary statements, including cash flow statements),
- – 38B-D (additional comparative information),
- – 40A-D (requirements for a third statement of financial position)
- – 111 (cash flow statement information), and
- – 134-136 (capital management disclosures)

– IAS 7, 'Statement of cash flows'

– Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

– Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

– The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Where relevant, equivalent disclosures have been given in the group financial statements of ASSA ABLOY AB which are available to the public as set out in note 25.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT.

Sale of goods

Revenue from the sale of goods is recognised when;

- the company has transferred the significant risks and rewards of ownership of the goods to the purchaser, normally on delivery of the goods;
- the amount of revenue and costs to be incurred can be reliably measured;
- the company retains neither a continuing managerial involvement or effective control over the goods; and
- it is probable that the economic benefits associated with the transaction will flow to the company.

Rendering of services

Revenue from contracts to provide services represents a limited share of the company's total revenue but is recognised by reference to the stage of completion of the contract.

Dividend

A dividend is recognised as a liability after the company's directors have approved the dividend.

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Principal accounting policies (continued)

Foreign currencies

The financial statements are prepared and presented in the functional currency of the company which is Sterling (£).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, the monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the income statement in the period in which they arise.

Leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and the aggregate benefit of the incentive is recognised as a reduction of the rental expense on a straight-line basis over the term of the lease.

Research and development

Research expenditure is expensed as incurred.

Borrowing costs

Borrowing costs are interest expenses and other expenses directly related to borrowing. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of the asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Exceptional items

The company defines exceptional items as those non-recurring items which, by the nature or size, would distort the comparability of the company's results from year to year (see note 6).

Taxation

The income statement includes all tax that is to be paid or received for the current year, adjustments relating to tax due for previous years, and changes in deferred tax.

Current taxation

Current tax is determined based on the taxable profit for the year and calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

1 Principal accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and deferred tax liabilities are offset when there is a legal right to do so.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the identifiable net assets of the acquired company at the date of the acquisition and is recognised within intangible assets.

Goodwill is not amortised but tested annually for impairment and as such is stated at cost less accumulated impairment losses. Goodwill is allocated to the cash generating units (CGUs) identified according to the company's business segments and is tested annually to identify any impairment loss. Cash generating units are subject to systematic annual impairment testing using a valuation model based on future discounted cash flows.

Other intangible assets

Other intangible assets represent two elements:

Acquired brands

Acquired brands that are controlled through custody or legal rights and that could be sold separately from the rest of the business are capitalised, where their fair value can be reliably measured. These assets are considered to have finite lives and are amortised on a straight-line basis over their estimated useful lives of between five and ten years. Amortisation costs are included within administrative expenses.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- an asset is created that can be identified;
- it is probably that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Computer software costs are amortised on a straight-line basis over their useful lives which is typically five years. Amortisation costs are included within administrative expenses.

Tangible assets

Tangible assets are recognised at cost less accumulated depreciation and impairment losses.

Cost includes expenditure directly attributable to the acquisition of the asset. Subsequent expenditure is capitalised if it is probable that economic benefits associated with the asset will flow to the company and if the cost can be reliably measured.

Expenditure on repairs and maintenance is expensed as incurred.

1 Principal accounting policies (continued)

Tangible assets (continued)

Depreciation is provided, other than on freehold land and long leasehold property, to reduce the carrying value of the assets to their residual values over the estimated useful life on a straight-line basis:

• Freehold land	0%
• Freehold buildings	2%
• Plant and machinery	6.66%-33.33%

Assets in the course of construction are not depreciated until they are brought into use.

Investments

Investments in subsidiaries are held at historical cost less provision for permanent diminution in value. Investments are reviewed for impairment on an annual basis with any changes being charged directly through the income statement.

Business combinations

An acquisition that results from a group restructuring where the entities are under common control are excluded from the provisions of IFRS 3 Business Combinations and are not subject to fair value adjustment. In these transactions, predecessor accounting is applied.

Impairment of assets

Assets with an indefinite useful life are not amortised but are tested for impairment on an annual basis.

For assets that are depreciated/amortised, impairment testing is carried out when events or circumstances indicate that the carrying value may not be recoverable.

Impairment losses are recognised in the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value, less selling expenses and value in use. For impairment testing purposes, assets are grouped at the lowest organisational level where there are separate identifiable cash flows, so-called cash generating units (CGU).

Inventories

Inventories are valued in accordance with a standard costing method at the lower of cost and net realisable value. Work in progress and finished goods include both direct costs incurred and a fair allocation of indirect production costs incurred in bringing the stocks to their present location and condition.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is recognised when there is objective evidence that the company will not be able to collect recorded amounts due. The amount of the provision is the difference between the assets carrying value and the present value of the future cash flows. The amount of the provision is recognised in the income statement as selling expenses.

Financial assets

The company classifies its financial assets in the following categories. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets include cash and cash equivalents, trade receivables and short-term investments.

1 Principal accounting policies (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment streams, which are not quoted in an active market. They are recognised in current assets, except for receivables maturing more than 12 months after the reporting date, which are classified as non-current assets (see accounting policy note on trade receivables).

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances (net of overdrafts), and short-term financial investments that mature within three months of the acquisition date.

Trade payables

Trade payables are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost.

Amortised cost is determined based on the effective interest rate calculated when the loan was raised. Accordingly, surplus values and negative surplus values as well as direct issue expenses are allocated over the term of the borrowings. Non-current borrowings have an anticipated term of more than one year, while current loan liabilities have a term of less than one year.

Provisions

A provision is recognised when the company has a legal or constructive obligation resulting from a past event and it is probable that an outflow of resources will be required to settle the obligation, and that a reliable estimate of the amount can be made.

Provisions are recognised at a value equivalent to the outflow of resources that will probably be required to settle the obligation. The amount of provision is discounted to present value where the effect of time value is considered material.

Employee benefits

The company operates both a defined contribution and a defined benefit pension plan.

Defined contribution plan

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised in the income statement as employee benefits expense when they are due.

Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age, years of service and compensation.

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Principal accounting policies (continued)

Employee benefits (continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past service costs are recognised immediately in the income statement.

2 Critical Accounting Estimates and Judgments

The company makes estimates and assumptions concerning the future. 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 resulting accounting estimates will, by definition, not necessarily equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Carrying value of goodwill

The directors are required to consider whether the carrying value of goodwill is supported by the estimated future cash flows of the business. In performing this review, the directors have considered the goodwill to relate to a single cash generating unit due to the integrated nature of the company's operations. The key assumptions used in this review relate to the cash flows extracted from the company's budgets and forecasts, the long term growth rate and the discount rate. The carrying value of goodwill as at 31 December 2017 is £124,213,000 (2016: £117,120,000).

Provisions

The company makes estimates of provisions for existing commitments arising from past events. In estimating these provisions, the company makes judgements as to the quantity and likelihood of the liability arising. Certain provisions require more judgement than others. In particular, deferred consideration has to take into account future outcomes arising from past events. In estimating these provisions, the company makes use of management experience and precedents. The carrying value of contingent consideration, restructuring and other provisions at 31 December 2017 is £11,600,000 (2016: £13,015,000).

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends 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 which at 31 December 2017 was £11,454,000 (2016: £16,630,000). The assumptions reflect historical experience and current trends. See note 23 for the disclosures relating to the defined benefit pension scheme.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Revenue

Geographical destination	**2017**	2016
	£'000	£'000
Unitcd Kingdom	**157,619**	147,738
Rest of Europe	**21,226**	15,416
Rest of the world	**25,142**	14,743
	203,987	177,897

All revenue originates in the United Kingdom.

4 Net operating expenses

	2017	2016
	£'000	£'000
Selling and distribution costs	**47,177**	39,065
Administrative expenses	**11,234**	13,940
Exceptional Items (note 6)	**1,698**	10,171
Net operating expenses	**60,109**	63,176

Notes to the financial statements for the year ended 31 December 2017 (continued)

5 Operating profit before exceptional items

Operating profit before exceptional items is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Depreciation charge for the year (note 13)	1,387	1,497
Amortisation of intangible assets (note 12)	574	720
Research and development expenditure	7,681	6,526
Impairment of trade receivables	89	75
Inventory provision/impairment recognised as an expense	29	111
Operating leases rentals:		
- Plant and machinery	226	230
- Other	1,439	1,049
Foreign currency (gains)/losses	(167)	491
Services provided by the company's auditors'		
Fees payable for the audit	144	134
Fees payable for other services:		
- Audit related assurance	-	8
- Transaction advisory services	-	4

Notes to the financial statements for the year ended 31 December 2017 (continued)

6 Exceptional items

	2017	2016
	£'000	£'000
Restructuring costs	**1,698**	2,672
Impairment of inter-group receivables	**-**	7,499
Total exceptional costs	**1,698**	10,171

Restructuring costs of £1,698,000 (2016: £2,672,000) were charged relating to restructuring projects that were announced during the year. The costs in both 2017 and 2016 relate to employment termination and factory reorganisation costs.

The impairment of inter-group receivables in 2016 relates to the write-off of technology implementation costs, previously held within prepayments and accrued income which, following a review, will no longer be recharged to other ASSA ABLOY AB group undertakings.

7 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2017	2016
	Number	Number
By activity		
Production	**622**	566
Selling and distribution	**374**	340
Administration	**59**	55
	1,055	961

Employee costs were as follows:

	2017	2016
Staff costs	**£'000**	£'000
Wages and salaries	**37,050**	33,629
Social security costs	**3,710**	3,272
Other pension costs	**1,723**	1,715
	42,483	38,616

Notes to the financial statements for the year ended 31 December 2017 (continued)

8 Remuneration of directors

	2017	2016
	£'000	£'000
All directors:		
Emoluments in respect of qualifying services	1,221	1,073
Pension contributions to money purchase scheme	64	67
	1,285	1,140
Highest paid director:		
Emoluments in respect of qualifying services	274	252
Pension contributions to money purchase scheme	21	21
	295	273

Retirement benefits are accruing to six directors (including the highest paid director) under a money purchase scheme (2016: six).

Three directors (2016: three), which include the highest paid director, are participating in a long term incentive plan of ASSA ABLOY AB which was introduced in July 2010. Under this plan, for each share acquired by the director at assignment, one matching stock option and up to three performance-based stock options are assigned to each director. After three years, each matching stock option and performance-based stock option entitles the director to receive one free Series B share in ASSA ABLOY AB. The impact is not considered material.

9 Dividends paid

A dividend of £8,500,000 (2016: £nil), equivalent to £6.39 per £1 ordinary share in issue (2016: £nil per £1 ordinary share), was declared and paid in the year.

10 Interest payable and similar expenses

	2017	2016
	£'000	£'000
Interest payable to group undertakings	1,034	1,016
Net interest cost on employee benefits (note 22)	432	438
	1,466	1,454

Notes to the financial statements for the year ended 31 December 2017 (continued)

11 Tax on profit

Tax expense included in the income statement

	2017	2016
	£'000	£'000
Current tax:		
UK Corporation tax at 19.25% (2016: 20%)	**4,214**	3,934
Adjustment in respect of prior years	**-**	(298)
Total current tax	**4,214**	3,636
Deferred tax:		
Deferred taxation current year charge	**385**	186
Total deferred tax (note 16)	**385**	186
Tax on profit	**4,599**	3,822

Tax expense/(income) included in other comprehensive income

	2017	2016
	£'000	£'000
Deferred tax		
- Origination and reversal of timing differences	**756**	(839)
Total tax expense/(income) included in other comprehensive income	**756**	(839)

Notes to the financial statements for the year ended 31 December 2017 (continued)

11 Tax on profit (continued)

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained by:

	2017	2016
	£'000	£'000
Profit before taxation	**27,243**	12,512
Profit multiplied by standard rate in the UK 19.25% (2016: 20%)	**5,244**	2,502
Effects of:		
Expenses not deductible for tax purposes	**142**	1,924
Income not taxable	**(787)**	(465)
Adjustment in respect of prior years	**-**	(298)
Impact of change in rate	**-**	159
Tax on profit	**4,599**	3,822

During the year the main corporation tax rate was reduced from 20% to 19% which became effective from 1 April 2017. Accordingly, the company's profits for the year are taxed at an effective rate of 19.25%.

A further change to reduce the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. The effects of these changes are included in these financial statements.

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Intangible assets

	Purchased goodwill	Other intangible assets	Total
	£'000	£'000	£'000
Cost			
At 1 January 2017	191,859	8,392	200,251
Additions	-	530	530
Transfer from investments (note 14)	7,093	-	7,093
At 31 December 2017	**198,952**	**8,922**	**207,874**
Accumulated amortisation and impairment			
At 1 January 2017	74,739	7,185	81,924
Charge for the year	-	574	574
At 31 December 2017	**74,739**	**7,759**	**82,498**
Net book amount			
At 31 December 2017	**124,213**	**1,163**	**125,376**
At 31 December 2016	117,120	1,207	118,327

Additions to other intangible assets are in respect of software costs on the implementation of new information technology products.

Notes to the financial statements for the year ended 31 December 2017 (continued)

13 Tangible assets

	Land and buildings	Plant and Machinery	Assets in the course of Construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2017	7,383	40,456	1,163	49,002
Additions	-	-	4,839	4,839
Reclassification	755	2,061	(2,816)	-
Acquisition of subsidiary undertakings (note 14)	-	812	-	812
Disposals	-	(52)	-	(52)
At 31 December 2017	**8,138**	**43,277**	**3,186**	**54,601**
Accumulated Depreciation				
At 1 January 2017	3,597	37,824	-	41,421
Charge for the year	296	1,091	-	1,387
Acquisition of subsidiary undertakings (note 14)	-	740	-	740
Disposals	-	(52)	-	(52)
At 31 December 2017	**3,893**	**39,603**	**-**	**43,496**
Net book amount				
At 31 December 2017	**4,245**	**3,674**	**3,186**	**11,105**
At 31 December 2016	3,786	2,632	1,163	7,581

Land and buildings includes freehold land with a carrying value of £1,116,000 (2016: £548,000).

14 Investments

Investments in subsidiary undertakings

	£'000
Cost	
At 1 January 2017	75,395
Transfer to purchased goodwill (note 12)	(7,093)
Liquidations of dormant companies	(1,817)
At 31 December 2017	**66,485**
Provision for impairment	
At 1 January 2017 and 31 December 2017	**26,906**
Net book value	
At 31 December 2017	**39,579**
At 31 December 2016	48,489

The directors believe that the carrying value of the investments is supported by their underlying net assets or the discounted value of their forecast future cash flows.

As part of an ongoing ASSA ABLOY Group restructuring programme, the company placed into members' voluntary liquidation the dormant subsidiary companies Securistyle Limited, Pickersgill-Kaye Limited and Prima Doors Limited. The liquidation of the following dormant subsidiaries of the company were also concluded resulting in a reduction in the cost of investment of £1,817,000 (2016: £6,046,000): Intelligent Locking Systems Limited and Pickersgill-Kaye Limited (2016: Securistyle Group Holdings Limited, eTag Solutions Limited and Traka Limited). The restructuring programme led to an impairment charge of £nil (2016: £nil).

During the year a dividend of £616,000 (2016: £1,938,000) was received from ASSA ABLOY Hospitality Limited and £3,450,000 (2016: £nil) was received from P.C. Henderson Limited.

Notes to the financial statements for the year ended 31 December 2017 (continued)

14 Investments (continued)

On 1 February 2017 the company acquired the trade and net assets of its subsidiary Pickersgill-Kaye Limited. On 1 July 2017 the company also acquired the trade and net assets of another of its subsidiaries, Prima Doors Limited. Both acquisitions were made at book value and the difference between the carrying value of the investments and the net assets acquired of £7,093,000 has been transferred to goodwill as the fair value of both of these businesses is still supportable. Details of the acquisitions are as follows:

	Pickersgill-Kaye Limited	Prima Doors Limited	Total
	£'000	£'000	£'000
Tangible fixed assets	54	18	72
Total current assets	2,018	4,588	6,606
Total liabilities	(542)	(539)	(1,081)
Net assets acquired	**1,530**	**4,067**	**5,597**
Goodwill arising	-	-	-
Total consideration	**1,530**	**4,067**	**5,597**

There was no material difference between the book value and fair value of assets and liabilities acquired. The consideration payble was settled via the intercompany loan account.

Notes to the financial statements for the year ended 31 December 2017 (continued)

14 Investments (continued)

Details of the interests of the company in its subsidiary undertakings, all of which are wholly owned, are set out below:

a) Directly owned subsidiaries, incorporated in England and Wales, operating principally in Great Britain and with a registered office address at School Street, Wolverhampton, WV13 3PW

Subsidiaries	Nature of business	Description of shares held	Company registration number
Security Products UK Limited	Dormant	Ordinary £1 shares	01403050
Trojan Holdings Limited	Holding company	Ordinary £1 shares	06830142

b) Directly owned subsidiary, incorporated in England and Wales, operating principally in Great Britain and with a registered office address at Pacific House, Imperial Way, Reading, England, RG2 0TD

Subsidiary	Nature of business	Description of shares held	Company registration number
Assa Abloy Hospitality Limited	Electronic hotel locking systems	Ordinary £1 shares	02590364

c) Directly owned subsidiary, incorporated in England and Wales, operating principally in Great Britain and with a registered office address at Bowburn North Industrial Estate, Durham Road, Bowburn, Durham, DH6 5NG

Subsidiaries	Nature of business	Description of shares held	Company registration number
P. C. Henderson Limited	Manufacture of door hardware	Ordinary £1 shares	01188468

d) Directly owned subsidiary, incorporated in the United States of America ("USA"), operating principally in the USA with a registered address at 448 Commerce Way, Longwood, FL 32750

Subsidiaries	Nature of business	Description of shares held	Company registration number
Traka LLC	Key management solutions	Other Capital	L10000048852

14 Investments (continued)

e) Directly owned subsidiary, incorporated in the Channel Islands, operating principally in Guernsey with a registered address at Commerce House, Les Banques, St Peter Port, Guernsey, Channel Islands, GY1 2HS

Subsidiaries	Nature of business	Description of shares held	Company registration number
Locksafe Investments Limited (Guernsey)	Holding company	Ordinary £1 shares	G010288

f) Indirectly owned subsidiary, incorporated in England and Wales, operating principally in Great Britain and with a registered office address at School Street, Wolverhampton, WV13 3PW

Subsidiaries	Nature of business	Description of shares held	Company registration number
Josiah Parkes & Sons Limited	Dormant (indirectly owned)	Ordinary £1 shares	00704809
Trojan Manufacturing Group Limited	Holding company	Ordinary £1 shares	03293512
Trojan Hardware and Design Limited	Design, manufacture and distribution of window and door hardware	Ordinary £1 shares	06570996
Trojan Diecasting Limited	Diecasting	Ordinary £1 shares	03640143

g) Directly owned subsidiaries, incorporated in England and Wales, dormant and in liquidation with a registered office address at 1020 Eskdale Road, Winnersh, Wokingham, RG41 5TS

Subsidiaries	Nature of business	Description of shares held	Company registration number
Pickersgill-Kaye Limited (dissolved on 1 March 2018)	Lock Manufacture	Ordinary £1 shares	02293373
Prima Doors Limited	Security door manufacture	Ordinary £1 shares	03191384
C.E.Marshall Limited (in liquidation)	Dormant	Ordinary £1 shares	00321244
Abloy Security Limited (dissolved on 16 May 2018)	Dormant	Ordinary £1 shares	02078532
Securistyle Limited	Dormant	Ordinary £1 shares	01381767

15 Inventories

	2017	2016
	£'000	£'000
Raw materials and consumables	2,525	2,405
Work in progress	8,660	4,863
Finished goods and goods for resale	18,306	19,510
	29,491	26,778

There is no significant difference between the replacement cost of stocks and their carrying amounts.

Stock is stated after provisions for impairment of £1,632,311 (2016: £1,603,527).

16 Debtors

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	37,702	29,651
Amounts owed by group undertakings	2,017	12,057
Prepayments and accrued income	17,482	18,984
	57,201	60,692

	2017	2016
	£'000	£'000
Amounts falling due after more than one year:		
Deferred tax asset	2,445	3,511

Amounts owed by group undertakings are unsecured, interest free and have no fixed date for repayment.

Prepayments and accrued income includes £15,919,000 (2016: £18,033,000) in respect of technology implementation costs which are to be recharged to other ASSA ABLOY AB group undertakings.

Notes to the financial statements for the year ended 31 December 2017 (continued)

16 Debtors (continued)

The deferred tax asset recognised in the financial statements at the rate of 17% (2016: 17%) and the amount unrecognised is as follows:

	Amount Recognised	Amount Recognised	Amount Un-recognised	Amount Un-recognised
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	**465**	503	**-**	-
Pensions	**1,945**	2,827	**-**	-
Other timing differences	**35**	181	**1,823**	1,823
	2,445	3,511	**1,823**	1,823

The unrecognised deferred tax asset relates to non-trade losses carried forward which the directors do not expect to be able to utilise in the foreseeable future.

The movement on the deferred tax asset has been reconciled as follows:

	Accelerated capital allowances	**Pension**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January 2016	670	2,126	62	2,858
(Charged)/credited to the income statement	(167)	(138)	119	(186)
Recognised in other comprehensive expense	-	839	-	839
At 31 December 2016	**503**	**2,827**	**181**	**3,511**
At 1 January 2017	503	2,827	181	3,511
Charged to the income statement	(38)	(126)	(221)	(385)
Recognised in other comprehensive income	-	(756)	-	(756)
Acquisition of subsidiaries	-	-	75	75
At 31 December 2017	**465**	**1,945**	**35**	**2,445**

17 Assets classified as held for sale

In October 2016, the Directors agreed to dispose of land and buildings owned by the company. These land and buildings were not used in the operations of the company and were leased to a third party. The buildings were sold in the year and the sale of the land is expected to complete within 12 months. The proceeds of the sale of the land are expected to exceed the book value of the related asset.

	£'000
At 1 January 2017	4,337
Movement during the year	(3,631)
At 31 December 2017	**706**

18 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	**21,502**	15,473
Amounts owed to group undertakings	**11,684**	9,275
Taxation and social security	**5,063**	4,917
Accruals and deferred income	**10,352**	8,239
	48,601	37,904

Amounts owed to group undertakings comprise trading balances and amounts due to other group companies for the purchase of trade and assets, which are unsecured, interest free and have no fixed date for repayment.

19 Creditors: amounts falling due after more than one year

	2017	2016
	£'000	£'000
Amounts owed to group undertakings	**40,006**	40,000

£40,000,000 relates to an unsecured long term loan taken out with a fellow ASSA ABLOY AB group company. The loan is repayable and bears interest as set out below:

a) £10m is repayable in Feb 2019 and bears interest at a fixed rate of 2.22%.

b) £15m is repayable in Feb 2020 and bears interest at a fixed rate of 2.32%

c) £15m is repayable in Feb 2022 and bears interest at a fixed rate of 2.56%.

Notes to the financial statements for the year ended 31 December 2017 (continued)

20 Provisions for liabilities

	Pensions £'000	Restructuring provisions £'000	Other Provisions £'000	Total provision £'000
At 1 January 2017	16,630	865	12,150	29,645
Charged to the income statement	794	1,698	-	2,492
Credited to the statement of other comprehensive income	(4,445)	-	-	(4,445)
Utilised during the year	(1,525)	(2,563)	(550)	(4,638)
At 31 December 2017	**11,454**	**-**	**11,600**	**23,054**

Pensions – see note 22 for further details.

Restructuring provisions – relate to the termination of employment and factory reorganisation costs.

Other provisions – Other provisions relate to the contingent consideration in respect of acquisitions which will be utilised over the period to 31 December 2019 and is dependent on earnings targets being met. £4,850,000 (2016: £4,550,000) is due within one year and £6,750,000 (2016: £7,600,000) is due after more than one year. The amounts have not been discounted as the discount is not considered material.

21 Called up share capital

	2017	2016
	£'000	£'000
Allotted and fully paid		
1,280,000 (2016: 1,280,000) 'A' Ordinary shares of £1 each	**1,280**	1,280
50,000 (2016: 50,000) 'B' Ordinary shares of £1 each	**50**	50
	1,330	1,330

22 Pension obligations

The group operates two defined benefit pension schemes, the assets of which are held in separate trust funds. The main scheme is the ASSA ABLOY (UK) Pension Plan ("the Plan") and the company also operates the ASSA Limited Pension and Life Assurance Scheme ("the Scheme"). The company also operates a defined contribution scheme.

Defined contributions scheme

The cost of contributions to the defined contribution scheme in the year amounts to £1,723,000 (2016: £1,715,000). There were outstanding contributions of £214,000 (2016: £214,000) at the end of the financial year.

Defined benefit scheme

The total company pension contributions to the Plan and the Scheme during the year were £1,525,000 (2016: £905,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

In July 2010 the Company paid a deficit contribution in respect of the ASSA ABLOY (UK) Pension Plan of £5,800,000. The Plan was closed to future accrual on 31 May 2006.

In January 2013 the Company paid a deficit contribution in respect of the ASSA Limited Pension and Life Assurance Scheme of £337,000. The Scheme was closed to future accrual on 31 December 2009. However, some members have retained the link between their benefits and their future salary increases.

The last actuarial valuations of the schemes were carried out by independent qualified actuaries as at 5 April 2016. These valuations have been updated to 31 December 2017.

The major assumptions used (which are the weighted average for these schemes) were

Financial Assumptions	**2017**	2016	2015
Discount rate	**2.50%**	2.70%	3.80%
Inflation assumption (RPI)	**3.30%**	3.30%	2.90%
Inflation assumption (CPI)	**2.40%**	2.40%	2.00%
Rate of increase of salaries	**3.55%**	3.55%	3.15%

22 Pension obligations (continued)

Mortality Assumptions "The Plan"	**2017**	2016
Life expectancy of a Male aged 65	**20.8**	20.8
Life expectancy of a Female aged 65	**22.6**	22.7
Life expectancy of a Male currently age 45 from age 65	**21.9**	22.0
Life expectancy of a Female currently age 45 from age 65	**23.9**	24.2

Mortality Assumptions "The Scheme"	**2017**	2016
Life expectancy of a Male aged 65	**21.9**	21.9
Life expectancy of a Female aged 65	**23.7**	23.9
Life expectancy of a Male currently age 45 from age 65	**23.0**	23.2
Life expectancy of a Female currently age 45 from age 65	**25.0**	25.4

A reconciliation of the movement in the value of scheme assets and liabilities is provided below:

	Fair value of Plan assets	Benefit obligation	**Net Deficit**
	£'000	£'000	**£'000**
1 January 2017	182,811	(199,441)	**(16,630)**
Interest income/(cost)	4,872	(5,304)	**(432)**
Contributions paid by employer	1,525	-	**1,525**
Benefits paid and expenses	(6,394)	6,032	**(362)**
Changes in liability assumptions	-	(5,477)	**(5,477)**
Return on plan assets in excess of interest income	9,922	-	**9,922**
31 December 2017	**192,736**	**(204,190)**	**(11,454)**
"The Plan"	183,342	(193,557)	(10,215)
"The Scheme"	9,394	(10,633)	(1,239)
31 December 2017	**192,736**	**(204,190)**	**(11,454)**

22 Pension obligations (continued)

The following amounts have been recognised as an expense:

	2017	2016
Income statement	**£'000**	£'000
Net interest expense	**432**	438
	432	438

The following amounts have been recognised in other comprehensive income:

	2017	2016
	£'000	£'000
Return on plan assets (excluding amounts included in net interest cost) – gain	**9,922**	28,483
Experience gains and losses arising on the defined benefit obligation	**-**	3,103
Effects of changes in demographic assumptions underlying the present value of the defined benefit obligation – gain	**1,333**	678
Effects of changes in financial assumptions underlying the present value of the defined benefit obligation – (loss)	**(6,810)**	(37,197)
Total amount recognised in other comprehensive income/(expense)	**4,445**	(4,933)

The assets in the schemes (excluding the DC Section of the Plan and members SVC funds) comprise:

	2017	2016
	£'000	£'000
Equities	**108,929**	102,624
Bonds	**73,722**	70,812
Real Estate	**9,950**	9,208
Cash	**135**	167
	192,736	182,811

22 Pension obligations (continued)

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principle assumptions are as follows:

The Plan	Change in assumption	Impact on benefit obligation of
Discount rate	Decrease of 0.25% p.a.	Increase by 4.3%
Rate of inflation	Increase of 0.25% p.a.	Increase by 2.1%
Rate of mortality	Increase in the life expectancy of 1 year	Increase by 4.1%

The Scheme	Change in assumption	Impact on benefit obligation of
Discount rate	Decrease of 0.25% p.a.	Increase by 4.7%
Rate of inflation	Increase of 0.25% p.a.	Increase by 3.5%
Rate of mortality	Increase in the life expectancy of 1 year	Increase by 3.4%

The above sensitivity analyses are based on a change in an assumption while holding the other assumptions constant. In practice this is unlikely to occur as some changes in assumptions may be correlated.

23 Financial commitments

At 31 December, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		**Other**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Not later than one year	**1,304**	1,040	**236**	228
Later than one year and not later than 5 years	**4,660**	2,510	**243**	330
Later than 5 years	**2,411**	1,125	**-**	-
	8,375	4,675	**479**	558

24 Related party transactions

The company is a wholly owned subsidiary of ASSA ABLOY AB, the group financial statements of which are publicly available. The company has taken advantage of the exemption within FRS 101, para 8(k) from disclosing transactions with wholly owned members of the ASSA ABLOY AB group.

There were no other related party transactions within the year (2016: none).

25 Ultimate parent undertaking

The only group in which the financial statements of the company are consolidated is that headed by ASSA ABLOY AB, the company's immediate and ultimate parent undertaking and controlling party, incorporated in Sweden.

The consolidated financial statements are available to the public and may be obtained from ASSA ABLOY AB, Klarabergsviadukten 90, Box 70340, S-10723 Stockholm, Sweden.

26 Events after the end of the reporting period

On 1 February 2018, the company acquired the entire ordinary issued share capital of Progress Ventures Limited and its subsidiary undertakings (Dale Hardware Limited and Excel Architectural Hardware Limited), leading suppliers of architectural hardware to builder's merchants in the UK.

On 1 June 2018, the company acquired the trade and net assets of its subsidiary undertakings Trojan Holdings Limited, Trojan Manufacturing Group Limited, Trojan Hardware and Design Limited and Trojan Diecasting Limited. The acquisitions were made at book value and the consideration payable was settled via the intercompany loan account.