

Registered number: 00029131

ALLEGION (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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ALLEGION (UK) LIMITED

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ALLEGION (UK) LIMITED

COMPANY INFORMATION

DIRECTORS

C J Crampton
J D Stanley

COMPANY SECRETARY

M L Gomez (resigned 21 June 2021)
P M Cassidy (appointed 21 June 2021)

REGISTERED NUMBER

00029131

REGISTERED OFFICE

35 Rocky Lane
Aston
Birmingham
West Midland
B6 5RQ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

ALLEGION (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Registered number: 00029131

The directors present the Strategic Report and the audited financial statements of the company for the year ended 31 December 2021.

BUSINESS REVIEW

The company made an operating loss of £1.8m (2020: profit £1.2m). Loss before taxation for the year was £2.9m (2020 profit: £0.2m), and after a taxation credit of £3.9m (2020: credit of £1.1m), the profit for the year amounted to £1.0m (2020: profit £1.3m). At 31 December 2021 the company had net assets of £12.9m (2020: £16.3m).

The company continues its 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.

Covid 19 has had multiple impacts on the business. Numerous supplier chain issues as result of Covid 19 resulted in lower inventory and reduction in the ability to serve the customer base.

PRINCIPAL RISKS AND UNCERTAINTIES

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

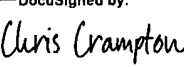
The key business risks and uncertainties affecting the company are considered to relate to competition from both national and independent manufacturers/distributors, employee retention and new technologies. The company's strategy for combating these risks is to continually invest in new technology and 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 date 13th June 2022 and signed on its behalf by:

DocuSigned by:

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C J Crampton
Director

ALLEGION (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and the audited financial statements of Allegion (UK) Limited (the "company") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £1.0m (2020 profit: £1.3m).

No dividends have been paid or recommended during 2021 (2020: £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

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a number of financial risks that include price risk, credit risk, liquidity risk, foreign exchange 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.

Foreign Exchange risk

The company purchases and sells products in various currencies, it is subject to movements in foreign exchange rates. The company manages this exposure by creating natural foreign exchange hedges and through careful monitoring of the markets to be able to react to changes in a timely manner.

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 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.

ALLEGION (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (continued) FINANCIAL RISK MANAGEMENT (continued)

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.

FUTURE DEVELOPMENTS

The company has faced delays with certain projects and markets, however, has managed to maintain market share and revenues. Continuous investment 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 further focus on developing solutions and specification capabilities within the UK, therefore creating demand. The company continues to drive efficiencies to improve margins and through system upgrades to enhance customer experience and efficiency.

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 statement of comprehensive income at the time they are incurred.

DIVERSITY AND EQUAL OPPORTUNITIES

The company recognises and values highly the benefits of diversity in the workplace and maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background, and is committed to fair and equal treatment. Where existing employees become disabled, it is the company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate. The company gives full and fair consideration to applications for employment from disabled persons.

EMPLOYEE ENGAGEMENT

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 quarterly 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 directly to the directors of the company in small informal groups.

The company also holds reviews periodically for each employee with their direct manager, throughout the year. 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. The directors of the business then review these findings and authorise any appropriate action to be taken.

POST BALANCE SHEET EVENT

It is noted that the events in the Ukraine currently have a minimal impact on the business. Allegion UK does not trade in either Russia or The Ukraine and therefore the only pressure seen to date in 2022 is increased costs via our logistic providers.(cost is not significant).

ALLEGION (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (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 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.

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.

DIRECTORS' CONFIRMATIONS

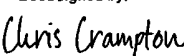
In the case of each director in office at the date the Directors' Report is approved:

- so far as that 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.

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 date 13th June 2022 signed on its behalf by:

DocuSigned by:

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C J Crampton
Director

ALLEGION (UK) LIMITED

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 balance sheet as at 31 December 2021; the statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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.

ALLEGION (UK) LIMITED

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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the taxation law, the Pensions Act 2014 and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Detailed discussions with management and walkthrough procedures to understand and evaluate the controls designed to prevent and detect irregularities and fraud;
- Reviewed legal expenses to identify any inconsistencies with other information provided by management;
- Assessing significant judgements and estimates;
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations and;
- Incorporating elements of unpredictability.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk

ALLEGION (UK) LIMITED

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

of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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 obtained 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.

Sarah Phillips

Sarah Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
13 June 2022

ALLEGION (UK) LIMITED**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £M	2020 £M
Revenue	5	18.6	27.6
Cost of sales		<u>(14.5)</u>	<u>(19.5)</u>
Gross profit		4.1	8.1
Distribution costs		(3.7)	(4.7)
Administrative expenses		<u>(2.2)</u>	<u>(2.2)</u>
Operating (Loss)/(profit)	6	(1.8)	1.2
Income from shares in group undertakings	14	<u>0.2</u>	<u>0.2</u>
Loss before interest and taxation		(1.6)	1.4
Interest payable and similar expenses	10	<u>(1.3)</u>	<u>(1.2)</u>
(Loss)/profit before taxation		(2.9)	0.2
Tax on (loss)/profit	11	<u>3.9</u>	<u>1.1</u>
Profit for the financial year		<u>1.0</u>	<u>1.3</u>
Other comprehensive expense:			
Remeasurements of net defined benefit obligation	19	<u>(5.0)</u>	<u>(0.4)</u>
Movement of deferred tax relating to pension surplus	11	<u>0.6</u>	<u>(0.1)</u>
Other comprehensive expense for the year		<u>(4.4)</u>	<u>(0.5)</u>
Total comprehensive (expense)/income for the year		<u>(3.4)</u>	<u>0.8</u>

ALLEGION (UK) LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2021**

	Note	2021 £M	2020 £M
Fixed assets			
Intangible assets	12	1.9	2.4
Tangible assets	13	0.5	0.7
Investments	14	3.5	3.5
Defined benefit pension asset	19	-	4.6
Deferred tax asset	18	12.9	8.4
		<u>18.8</u>	<u>19.6</u>
Current assets			
Inventories	15	3.3	2.5
Debtors	16	98.0	99.8
Cash and cash equivalents		2.6	2.0
		<u>103.9</u>	<u>104.3</u>
Creditors: amounts falling due within one year	17	(109.8)	(107.6)
Net current liabilities		<u>(5.9)</u>	<u>(3.3)</u>
Total assets less current liabilities		<u>12.9</u>	<u>16.3</u>
Net assets		<u>12.9</u>	<u>16.3</u>
Capital and reserves			
Called up share capital	21	6.0	6.0
Share premium account	20	3.6	3.6
Revaluation reserve		2.7	2.7
Capital redemption reserve		0.9	0.9
Retained earnings			
At 1 January		3.1	2.3
Loss for the year		(3.4)	0.8
		<u>(0.3)</u>	<u>3.1</u>
Total equity		<u>12.9</u>	<u>16.3</u>

The notes on pages 12 to 30 are an integral part of these financial statements.

The financial statements on pages 9 to 30 were approved by the Board of Directors on date 13th June 2022 and was signed on its behalf by:

C J Crampton

DocuSigned by:

Chris Crampton
Director

Allegion (UK) Limited
Registered no. 00029131

ALLEGION (UK) LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £M	Share premium account £M	Capital redemption reserve £M	Revaluation reserve £M	Accumul ated losses £M	Total shareholders' funds £M
At 1 January 2020	6.0	3.6	0.9	2.7	2.3	15.5
Profit for the financial year	-	-	-	-	1.3	1.3
Actuarial loss on pension scheme	-	-	-	-	(0.4)	(0.4)
Net of deferred taxation	-	-	-	-	(0.1)	(0.1)
Total comprehensive expense for the financial year	-	-	-	-	0.8	0.8
At 31 December 2020	6.0	3.6	0.9	2.7	3.1	16.3
At 1 January 2021	6.0	3.6	0.9	2.7	3.1	16.3
Profit for the financial year	-	-	-	-	1.0	1.1
Remeasurements of net defined benefit obligation	-	-	-	-	(5.0)	(5.0)
Net of deferred taxation	-	-	-	-	0.6	0.6
Total comprehensive income for the financial year	-	-	-	-	(3.4)	(3.4)
At 31 December 2021	6.0	3.6	0.9	2.7	(0.3)	12.9

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Allegion (UK) Limited's (the "company") principal activities are 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, United Kingdom. The address of its registered office is: 35 Rocky Lane, Aston, Birmingham, 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.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

3.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared on the going concern basis, under the historical cost convention 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 2018).

The preparation of financial statements in conformity with FRS 102 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 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":

- 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]. The company has taken advantage of the exemption, under paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, UK GAAP Holdings Limited, includes the company's cash flows in its consolidated financial statements.'

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

3. ACCOUNTING POLICIES (continued)

3.2 EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102(continued)

- 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.

3.3 CONSOLIDATED FINANCIAL STATEMENTS

The company is a wholly owned subsidiary of Allegion Investments (UK) Limited and of its ultimate parent, Allegion plc. It is included in the consolidated financial statements of Allegion plc, which are publicly available. The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Allegion plc. The address of the parent's registered office is Allegion plc, Block D, Iveagh Court, Harcourt Road, Dublin 2, Co. Dublin, Ireland.

3.4 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 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.

3.5 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
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Amortisation is included within administrative expenses in the Statement of Comprehensive Income.

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

3. ACCOUNTING POLICIES (continued)

3.6 TANGIBLE ASSETS

Plant and equipments 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 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
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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.

3.7 DERECOGNITION

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'other operating (losses)/gains'.

3.8 OPERATING LEASES

Leases that do not transfer all the risks and rewards of ownership are classified as 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.

3.9 INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

3.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. NRV is 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 to the profit and loss account.

3.11 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.

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****3. ACCOUNTING POLICIES (continued)****3.12 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. Bank overdrafts are normally considered financing activities similar to borrowings. However if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents.

3.13 FINANCIAL INSTRUMENTS

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of 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 out-right 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.

3.14 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.

3.15 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.

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

3. ACCOUNTING POLICIES (continued)

3.15 FOREIGN CURRENCY TRANSLATION (continued)

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.

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 administrative expenses.

3.16 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.

3.17 PENSIONS

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'remeasurement of net defined benefit liability'

ALLEGION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

3. ACCOUNTING POLICIES (continued)

3.17 PENSION (continued)

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'finance expense'

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

3.18 ANNUAL BONUS

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

3.19 INTEREST INCOME

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

3.20 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.

3.21 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 arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****3. ACCOUNTING POLICIES (continued)****3.21 CURRENT AND DEFERRED TAXATION (continued)**

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3.22 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.

3.23 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.24 GOING CONCERN

The company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for the foreseeable future. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. In addition, the ultimate parent company, Allegion plc, has formally indicated it will provide sufficient funding to the company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements, thus the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Allegion (UK) Limited is anticipating that the business will return to profit in 2022 as supply issues ease and sales volumes return to levels similar to that seen pre-pandemic. Allegion (UK) Limited is an indirect subsidiary of Allegion plc, and has a history of generating significant cash which Allegion (UK) Limited could draw upon if required.

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY****a) Critical accounting estimates and assumptions**

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.

i. Impairment of debtors

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.

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.

b) Critical judgements in applying the entity's accounting policies*i. Defined benefit pension scheme*

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.

The surplus as at 31 December 2021 for the Allegion UK Pension Plan, as determined for UK GAAP purposes, has been restricted in accordance with the Company's understanding of the Plan's Trust Deed and Rules and the FRS 102 accounting standards and consistent with previous years treatment. The surplus has been restricted to the amount considered recoverable with economic benefit through reduced contributions or refunds from the scheme.

5. REVENUE

The whole of revenue is attributable to its principal activity. Analysis of revenue by country of destination:

	2021	2020
	£M	£M
United Kingdom	11.1	16.6
Rest of the World	7.5	11.0
	18.6	27.6

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****6. OPERATING (LOSS)/PROFIT**

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

	2021	2020
	£M	£M
Research & development charged as an expense	0.2	0.2
Amortisation of intangible assets, including goodwill	0.5	0.5
Depreciation of tangible assets	0.1	0.1
Operating lease charges	0.4	0.3
Movement on stock provision	-	0.1
Inventories recognised as an expense	13.0	18.2

7. AUDITORS' REMUNERATION

	2021	2020
	£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:

	2021	2020
	£M	£M
Wages and Salaries	5.0	4.3
Social security costs	1.0	0.8
Other pension costs	0.4	0.4
	6.4	5.5

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

	2021	2020
	Number	Number
Warehouses and distribution	16	17
Administration and central functions	48	63
	64	80

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****9. DIRECTORS' REMUNERATION**

	2021	2020
	£M	£M
Directors' emoluments	<u>0.5</u>	<u>0.5</u>

The highest paid director received remuneration of £0.3m (2020: £0.3m).

Post-employment benefits are accruing for one director (2020: one) under a defined benefit scheme. One director (2020: one) was a member of a defined contribution scheme.

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £0.04m (2020: £0.05m).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the directors amounted to £0.01m (2020: £0.01m). There were no contributions to a defined contribution pension scheme in respect of the highest paid director.

One director (2020: one) exercised share options in the parents shares (568 shares) during the year. One director (2020: one) received shares under a long-term incentive scheme.

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£M	£M
Net interest expense on post-employment benefits	<u>(1.3)</u>	<u>(1.2)</u>

11. TAX ON (LOSS)/PROFIT**a) Tax credit included in profit or loss**

	2021	2020
	£M	£M
Deferred tax		
Origination and reversal of timing differences	-	-
Impact of change in tax rate	<u>(3.9)</u>	<u>(1.1)</u>
Total deferred tax	<u>(3.9)</u>	<u>(1.1)</u>
Tax on (loss)/profit	<u>(3.9)</u>	<u>(1.1)</u>

b) Tax credit included in other comprehensive expense

	2021	2020
	£M	£M
Deferred tax		
Deferred tax current year credit	<u>(0.6)</u>	<u>0.1</u>
Total deferred tax	<u>(0.6)</u>	<u>0.1</u>
Tax credit included in other comprehensive expense/(income)	<u>(0.6)</u>	<u>0.1</u>

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****11. TAX ON (LOSS)/PROFIT (continued)****c) Reconciliation of the tax credit**

The tax assessed for the year is the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%).
The differences are explained below.

	2021	2020
	£M	£M
Loss/profit before tax	<u>(2.8)</u>	<u>0.2</u>
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(0.5)	-
Effects of:		
Expenses not deductible	-	-
Income not taxable	-	-
Impact of change in tax rate	<u>(3.4)</u>	<u>(1.1)</u>
Total tax credit for the year	<u><u>(3.9)</u></u>	<u><u>(1.1)</u></u>

d) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the year end.

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****12. INTANGIBLE ASSETS**

	Software	Goodwill	Total
Cost	£M	£M	£M
At 1 January 2021	1.6	2.9	4.5
At 31 December 2021	1.6	2.9	4.5
Accumulated amortisation			
At 1 January 2021	(0.4)	(1.7)	(2.1)
Charge for the year	(0.2)	(0.3)	(0.5)
At 31 December 2021	(0.6)	(2.0)	(2.6)
Net book value			
At 31 December 2021	1.0	0.9	1.9
At 31 December 2020	1.1	1.3	2.4

13. TANGIBLE ASSETS

	Plant and Machinery	Total
Cost or valuation	£M	£M
At 1 January 2021	1.5	1.5
Disposals	(0.2)	(0.2)
At 31 December 2021	1.3	1.3
Accumulated depreciation		
At 1 January 2021	0.8	0.8
Charge for the year	0.1	0.1
Disposals	(0.1)	(0.1)
At 31 December 2021	0.8	0.8
Net book value		
At 31 December 2021	0.5	0.5
At 31 December 2020	0.7	0.7

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****14. INVESTMENTS**

	Investments in subsidiary companies
	£M
At 1 January 2021	3.5
At 31 December 2021	3.5

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 Limited	England & Wales	35 Rocky Lane, Aston, Birmingham, B6 5RQ	Ordinary	100%	Dormant holding company
NT Leamington Limited	England & Wales	35 Rocky Lane, Aston, Birmingham, B6 5RQ	Ordinary	26%	Dormant holding company
Newman Tonks (Overseas) Holdings Limited	England & Wales	35 Rocky Lane, Aston, Birmingham, B6 5RQ	Ordinary	100%	Dormant holding company
Zero Seal Systems Limited	England & Wales	Units 43-45 Ladford Covert, Seighford, Stafford, ST18 9QG	Ordinary	51%	Active trading company

During the year, dividends of £0.2m (2020: £0.2m) were received from Zero Seal Systems Limited.

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****15. INVENTORIES**

	2021	2020
	£M	£M
Raw materials and consumables	0.8	0.5
Finished goods and goods for resale	2.5	2.0
	3.3	2.5

Inventories are stated after provision for impairment of £0.4m (2020: £0.4m).

16. DEBTORS

	2021	2020
	£M	£M
Trade debtors	3.9	4.6
Amounts owed by group undertakings	93.7	94.8
Prepayments and accrued income	0.4	0.4
	98.0	99.8

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

Trade debtors are stated after Zero provision for impairment (2020: £Nil).

17. CREDITORS: Amounts falling due within one year

	2021	2020
	£M	£M
Trade creditors	0.8	1.9
Amounts owed to group undertakings	106.9	103.9
Taxation and social security	-	0.4
Accruals and deferred income	2.2	1.4
	109.8	107.6

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 2021 (continued)****18. DEFERRED TAX ASSET**

	Deferred taxation £M
At 1 January 2021	8.4
Credited to the profit or loss	3.9
Credited to other comprehensive expense	0.6
At 31 December 2021	<u>12.9</u>

The deferred tax asset is made up as follows:

	2021 £M	2020 £M
Accelerated capital allowances	1.3	0.9
Tax losses carried forward	11.4	8.2
Short term timing differences	0.2	(0.7)
	<u>12.9</u>	<u>8.4</u>

19. POST-EMPLOYMENT BENEFITS

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).

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****19. POST-EMPLOYMENT BENEFITS (continued)**

Following completion of the formal actuarial valuation of the Plan as at 5 April 2020, the company has agreed to contribute 42.50% of active members' pensionable salaries until 30 June 2021 and 45.4% thereafter. The company has also agreed to pay deficit reduction contributions of £1.5 million per calendar year from 2021 to 2026 (inclusive). In addition, the company has agreed to pay £1.1 million per annum to cover Plan expenses. The deficit reduction contributions and the expense contributions are due by 30 November each calendar year.

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 1.84% (2020: 1.29%) p.a. over 2020.

	2021	2020
	£M	£M
Reconciliation of present value of plan liabilities		
At the beginning of the year	(303.9)	(278.2)
Current Service cost	(0.3)	(0.3)
Interest cost	(3.8)	(5.1)
Actuarial gain/(loss)	15.3	(32.3)
Benefits paid	10.3	12.2
Plan introductions, changes, curtailments and settlements	(0.9)	(0.2)
At the end of the year	(283.3)	(303.9)

	2021	2020
	£M	£M
Reconciliation of present value of plan assets		
At the beginning of the year	331.3	301.4
Interest income	2.9	4.3
Actuarial (loss)/gain	(2.1)	34.8
Contributions	2.9	3.0
Benefits paid	(10.3)	(12.2)
At the end of the year	324.7	331.3

Included within interest income above are £1.2m of pension scheme administration costs (2020: £1.25m).

Composition of plan assets	2021	2020
	£M	£M
Return seeking assets	83.6	80.8
Bonds	122.5	145.4
Cash/other	118.6	105.1
Total plan assets	324.7	331.3

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****19. POST-EMPLOYMENT BENEFITS (continued)**

	2021	2020
Development of Net Balance Sheet position		
	£M	£M
Fair value of plan assets	324.7	331.3
Present value of plan liabilities	(283.3)	(303.9)
Surplus	41.4	27.4
Effect of limit on recoverable plan surplus	(41.4)	(22.8)
Net pension scheme surplus	-	4.6

The amounts recognised in profit or loss are as follows:

	2021	2020
	£M	£M
Current service cost	(0.3)	(0.3)
Interest on obligation	(1.3)	(1.2)
Plan introductions, changes, curtailments and settlements	(0.9)	(0.2)
Total	(2.5)	(1.7)

The defined benefit plan closed to future accrual of benefit from 1 November 2021, the net defined benefit asset has been limited to zero, since any surplus arising is not expected to be recoverable by the company.

Plan introductions, changes, curtailments and settlements relates to the impact of the guaranteed minimum pension ('GMP') benefits. On 26 October 2018, the High Court judgment involving Lloyds Banking Group defined benefit pension schemes concluded that schemes should equalise pension benefits for men and women in relation to GMP benefits. In early May 2020 there was a further GMP equalisation hearing involving the Lloyds' pension schemes which considered whether a pension scheme has an obligation to revisit and equalise any past transfer payments made to other schemes. The judgement in relation to this hearing was released on 20 November 2020. The High Court concluded that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalization. Based on historic transfers for the Allegion Plan over the period since 17 May 1990 and assuming the existing GMP equalisation loading of 1.5%, we would expect the impact of equalising historic transfers to be in the region of £0.2m.

The return on the scheme assets was:

	2021	2020
	£M	£M
Interest income on plan asset	2.9	4.3
Return on plan assets less interest income	(2.0)	34.8
Total return on scheme assets	0.9	39.1

The principal actuarial assumptions at the Balance Sheet date are set out below:

The assumed mortality rates of the Plan members are in line with the SAPS S3 All tables with multipliers of 106.5%/102.5% for males and females respectively. Mortality improvements are assumed to be in line with the CMI 2020 Mortality Projection Model with a 1.50% pa long-term trend rate, smoothing parameter of 7.5 and an initial addition of 0.25%.

ALLEGION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)****19. POST-EMPLOYMENT BENEFITS (continued)**

	2021	2020
Longevity at age 65 for current pensioners		
- Men	22.0	22.0
- Women	24.6	24.5
Longevity at age 65 for future pensioners		
- Men	23.1	23.1
- Women	25.9	25.8
	2021	2020
	%	%
Discount rate	1.84	1.29
Future salary increases	3.50	3.00
Price inflation (RPI)	3.50	3.00
Price inflation (CPI)	2.80	2.25
Pension increases (RPI-linked)	3.25	2.85
Pension increases (CPI-linked)	2.30	1.90
Plan participant census date	05/04/2020	05/04/2020

20. 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 investments in the dormant subsidiaries 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.

21. CALLED UP SHARE CAPITAL

	2021	2020
	£M	£M
Allotted, called up and fully paid		
24,194,881 (2020: 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 2021 (continued)****22. COMMITMENTS AND OPERATING LEASES**

	2021	2020
	£M	£M
At 31 st of Dec the company had future minimum payment and non-cancellable operating leases as follows:		
Within one year	0.4	0.4
Between two and five years	1.0	1.3
More than five years	-	-
	<u>1.4</u>	<u>1.7</u>

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

23. RELATED PARTY TRANSACTIONS

In 2021 the company sold inventory of £44,000 (2020: £57,000) to Zero Seal Systems Limited. The outstanding receivable at the year end was £5,000 (2020: £10,000). The amount is due within 30 days end of month terms.

24. 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.

25. POST BALANCE SHEET EVENT

It is noted that the events in the Ukraine currently have a minimal impact on the business. Allegion UK does not trade in either Russia or The Ukraine and therefore the only pressure seen to date in 2022 is increased costs via our logistic providers (cost is not significant).