Allegion plc

Annual Report
Financial year ended 31 December 2015

ALLEGION PLC

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Directors' report for the year ended 31 December 2015

The directors present their report and audited Consolidated Financial Statements for the fiscal year ended 31 December 2015.

Principal Activities

Allegion plc ("Allegion," "we," "us", "the Group" or "the Company"), through its subsidiaries, is a leading global provider of security products and solutions that keep people safe, secure and productive. We make the world safer as a company of experts, securing the places where people thrive and we create peace of mind by pioneering safety and security. We offer an extensive and versatile portfolio of mechanical and electronic security products across a range of market-leading brands. Our experts across the globe deliver high-quality security products, services and systems and we use our deep expertise to serve as trusted partners to end-users who seek customized solutions to their security needs.

We sell a wide range of security products and solutions for end-users in commercial, institutional and residential facilities worldwide, including into the education, healthcare, government, hospitality, commercial office and single and multi-family residential markets. Our corporate brands are Schlage, Von Duprin, LCN, CISA, Interflex and SimonsVoss. We believe Schlage, Von Duprin and LCN hold the No. 1 position in their primary product categories in North America and CISA and Interflex hold the No.1 or No. 2 position in their primary product categories in certain European markets.

For the year ended 31 December 2015, we generated turnover of $2,068.1 million and operating profit of $353.7 million.

History and Developments

Allegion plc was incorporated in Ireland on May 9, 2013, to hold the commercial and residential security businesses of Ingersoll Rand plc ("Ingersoll Rand"). On 1 December 2013, Allegion became a stand-alone public company after Ingersoll Rand completed the separation of these businesses from the rest of Ingersoll Rand via the transfer of these businesses from Ingersoll Rand to Allegion and the issuance by Allegion of ordinary shares directly to Ingersoll Rand's shareholders (the "Spin-off"). Our security businesses have long and distinguished operating histories.

Several of our brands were established more than 75 years ago, and many of our brands originally created their categories:

- Von Duprin, established in 1908, was awarded the first exit device patent;
- Schlage, established in 1920, was awarded the first patents granted for the cylindrical lock and the push button lock;
- LCN, established in 1926, created the first door closure;
- CISA, established in 1926, devised the first electronically controlled lock; and
- Steelcraft Doors, established in 1927, developed the first mass-produced hollow metal door in 1942.

We have built upon these founding legacies since our entry into the security products market through the acquisition of Schlage, Von Duprin and LCN in 1974. Today, we continue to develop and introduce innovative and market-leading products. Recent examples of successful product launches are illustrated in the table below:

Product launch	Year	Innovation
Schlage NDE Series wireless commercial lock	2014	Designed to be easy to install, connect, manage and use with ENGAGE connectivity platform
Schlage Touch, Connect, Sense	2014/2015	New residential electronic locking platforms that provide for keyless entry (Touch), connected locking (Connect) and integration with the Apple HomeKit platform (Sense)
Von Duprin AX Platform	2014	The first exit device that meets California's stringent maximum force requirements
CISA eSigno Platform	2013	Allows hotel owners to choose easily between different product types compatible with a single modular platform
aptiQ Mobile Platform	2013	A new generation of access control that allows users to replace wallets, keys and cards with smartphone based credentials

Review of Business Segments

We manufacture and sell mechanical and electronic security products and solutions in approximately 130 countries. Approximately 95% of our 2015 turnover was to customers in the North America, Western Europe and the Asia-Pacific regions.

We operate in and report financial results for three segments: Americas, EMEIA, and Asia Pacific. These segments represent the level at which our chief operating decision maker reviews Group financial performance and makes operating decisions.

Segment operating profit is the measure of profit and loss that our chief operating decision maker uses to evaluate the financial performance of the business and as the basis for resource allocation, performance reviews, and compensation. For these reasons, we believe that Segment operating profit represents the most relevant measure of segment profit and loss. Our chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges, from operating profit to arrive at a Segment operating profit that is a more meaningful measure of profit and loss upon which to base our operating decisions. We define Segment operating margin as Segment operating profit as a percentage of Net turnover.

The segment discussions that follow describe the significant factors contributing to the changes in results for each segment included in continuing operations.

Our business segments are as follows:

Americas

Our Americas segment is a leading provider of security products and solutions in approximately 30 countries throughout North America and South America. The segment sells a broad range of products and solutions including, locks, locksets, key systems, door closers, exit devices, doors and door frames, electronic product and access control systems to end-users in commercial, institutional and residential facilities, including into the education, healthcare, government, commercial office and single and multi-family residential markets. This segment's strategic brands are Schlage, Von Duprin and LCN.

Segment results for the years ended 31 December were as follows:

In millions ($)	2015	% change	2014
Net turnover	1,558.4	(0.1)%	1,560.0
Segment operating profit	418.0	7.9%	387.3
Segment operating margin	26.8%		24.8%

Net turnover for the year ended 31 December 2015 decreased by 0.1% ($1.6 million) compared to the same period in 2014 due to the following:

Pricing	0.5 %
Volume	6.6 %
Acquisitions / Divestitures	(2.2)%
Currency exchange rates	(5.0)%
Total	(0.1)%

The decrease in turnover was primarily due to unfavorable foreign currency exchange rate movements and the divestiture of our Venezuelan operation (discussed below in "Significant events in 2015"), partially offset by higher volumes, improved pricing and turnover from acquisitions in the current year. Net turnover from non-residential products for the year ended 31 December 2015 increased mid-single digits compared to the same period in the prior year due to new market growth, product launches and channel initiatives. Net turnover from residential products for the year ended 31 December 2015 increased upper single digits compared to the same period in the prior year primarily due to domestic market growth.

Segment operating profit for the year ended 31 December 2015 increased $30.7 million and segment operating margin increased to 26.8% from 24.8% compared to the same period in 2014 due to the following:

In millions ($)	*Operating Profit*	*Operating Margin*
31 December 2014	387.3	24.8 %
Pricing and productivity in excess of inflation	9.1	0.4 %
Volume/product mix	40.8	0.9 %
Non-cash stock impairment	29.1	1.9 %
Currency exchange rates	(21.4)	(0.1)%
Investment spending	(13.0)	(0.8)%
Acquisitions / divestitures	(13.8)	(0.3)%
Restructuring / Spin-off costs / acquisition expenses	(0.1)	— %
31 December 2015	418.0	26.8 %

The increase was primarily due to favorable volume/product mix, lower stock impairment charges in Venezuela in the current year and pricing improvements and productivity in excess of inflation. These increases were partially offset by unfavorable foreign currency exchange rate movements, the divestiture of our Venezuelan operations and increased investment spending primarily for new product development and channel development.

EMEIA

Our EMEIA segment provides security products and solutions in approximately 85 countries throughout Europe, the Middle East, India and Africa. The segment offers end-users a broad range of products, services and solutions including, locks, locksets, key systems, door closers, exit devices, doors and door frames, electronic product and access control systems, as well as time and attendance and workforce productivity solutions. This segment's strategic brands are Bricard, CISA, Interflex and SimonsVoss. This segment also resells Schlage, Von Duprin and LCN products, primarily in the Middle East.

Effective 1 September, 2014 we sold our United Kingdom (UK) Door businesses to an unrelated third party. Historical results of the component have been reclassified to discontinued operations for all periods presented.

Segment results for the years ended 31 December were as follows:

In millions ($)	2015	% change	2014
Net turnover	386.3	(1.8)%	393.4
Segment operating profit	8.6	75.5%	4.9
Segment operating margin	2.2%		1.2%

Net turnover for the year ended 31 December 2015 decreased by 1.8% ($7.1 million) compared to the same period in 2014 due to the following:

Pricing	1.1 %
Volume	0.3 %
Acquisitions / Divestitures	11.8 %
Currency exchange rates	(15.0)%
Total	(1.8)%

The decrease in turnover was primarily due to unfavorable foreign currency exchange rate movements, partially offset by turnover from acquisitions in the current year, improved pricing and slightly higher volumes.

Segment operating profit for the year ended 31 December 2015 increased $3.7 million and operating margin increased to 2.2% from 1.2% compared to the same period in 2014 due to the following:

In millions ($)	*Operating Profit*	*Operating Margin*
31 December 2014	4.9	1.2 %
Pricing and productivity in excess of inflation	16.3	4.5 %
Volume/product mix	(0.7)	(0.2)%
Currency exchange rates	(6.2)	(1.6)%
Investment spending and other items	(2.2)	(0.5)%
Acquisitions / divestitures	7.1	1.5 %
Restructuring / Spin-off costs / acquisition expenses	(10.6)	(2.7)%
31 December 2015	8.6	2.2 %

The increase was primarily due to pricing improvements and productivity in excess of inflation and the impact of acquisitions in the current year. These increases were partially offset by unfavorable foreign currency exchange rate movements, increased investment spending, unfavorable volume/product mix and the year-over-year change in restructuring charges, acquisition expenses and separation costs incurred in connection with the Spin-off.

Asia Pacific

Our Asia Pacific segment provides security products and solutions in approximately 14 countries throughout the Asia Pacific region. The segment offers end-users a broad range of products, services and solutions including, locks, locksets, key systems, door closers, exit devices, electronic product and access control systems. This segment's primary brands are Milre, Schlage, CISA, Von Duprin and LCN.

Segment results for the years ended 31 December were as follows:

In millions ($)	**2015**	**% change**	**2014**
Net turnover	123.4	(25.2)%	164.9
Segment operating profit (loss)	(3.4)	(247.8)%	2.3
Segment operating margin	(2.8)%		1.4%

Net turnover for the year ended 31 December 2015 decreased by 25.2% ($41.5 million) compared to the same period in 2014, due to the following:

Pricing	0.2 %
Volume	(1.5)%
Acquisitions / Divestitures	(19.6)%
Currency exchange rates	(4.3)%
Total	(25.2)%

The decrease in turnover was primarily due to the divestiture of Bocom (discussed below in "Significant events in 2015"), unfavorable foreign currency exchange rate movements, and lower volume partially offset by improved pricing and turnover from acquisitions. Bocom historically generated the majority of its turnover in the fourth quarter and, as a result of the sale in November 2015, turnover was lower by approximately $51.3 million compared to 2014. This decrease is reflected in the Acquisitions / Divestitures line above. Bocom also experienced a decline in turnover prior to the sale compared to the prior year, which is reflected in the Volume line above. The decline in volume due to Bocom was partially offset by increased volume in our remaining business.

Segment operating profit for the year ended 31 December 2015 decreased $5.7 million and segment operating margin decreased to (2.8)% from 1.4% compared with the same period in 2014 due to the following:

In millions ($)	*Operating Profit*	*Operating Margin*
31 December 2014	2.3	1.4 %
Pricing and productivity in excess of inflation	2.4	1.2 %
Adjustment to allowance for doubtful accounts	1.2	0.7 %
Currency exchange rates	(2.2)	(1.3)%
Investment spending and other items	(0.2)	(0.1)%
Acquisitions / divestitures	(5.5)	(3.8)%
Restructuring / Spin-off costs / acquisition expenses	(1.4)	(0.9)%
31 December 2015	(3.4)	(2.8)%

The decrease was primarily related to the divestiture of Bocom, unfavorable foreign currency exchange rate movements and the year-over-year change in restructuring charges, acquisition expenses and separation costs incurred in connection with the Spin-off. These decreases were partially offset by the impact of the acquisitions (discussed below in "Significant events in 2015"), pricing improvements and productivity in excess of inflation. Additionally, operating profit in the prior year included a $2.5 million charge to increase the allowance for doubtful accounts compared to a $1.3 million charge in the current year.

Trends and Economic Events

Based on third party sources, we estimate that the size of the global markets we serve was approximately $30 billion in turnover in 2015 with compound annual growth of about 2 to 4% per year over the past three years. We believe that the security products industry will benefit from several global macroeconomic and long-term demographic trends including:

- stabilization of construction markets in key North American markets;
- the convergence of mechanical and electronic security products;
- heightened awareness of security requirements;
- increased global urbanization; and
- the shift to a digital, interconnected environment.

We believe slowly improving institutional and cautious growth in commercial industrial markets and continued recovery in residential markets in the United States and slight growth in Europe will offset unfavorable foreign currency exchange rates overseas. Additionally, we expect growth in the global electronic product categories we serve to outperform the security products industry as end-users adopt newer technologies in their facilities. Two of our acquisitions in 2015 (SimonsVoss Technologies GmbH and Milre Systek Co., Ltd.) were made to capitalize on this trend.

The economic conditions discussed above and a number of other challenges and uncertainties that could affect our business are described under "Principal Risks."

Key Performance Indicators

Net Turnover

Net turnover for the year ended 31 December 2015 decreased by 2.4% ($50.2 million) compared to the same period in 2014 due to the following:

Pricing	0.6 %
Volume	4.8 %
Acquisitions / Divestitures	(1.0)%
Currency exchange rates	(6.8)%
Total	(2.4)%

The decrease in net turnover was primarily driven by unfavorable foreign currency exchange rate movements due to the strengthening of the US dollar against currencies in Canada, EMEIA and Asia-Pacific, the devaluation of the Venezuelan bolivar and the divestitures of our Venezuelan operations and Bocom. These decreases were partially offset by higher volumes and improved pricing in our Americas and EMEIA segments and turnover from acquisitions (discussed below in "Significant events in 2015").

Costs of sales

For the year ended 31 December 2015, cost of sales as a percentage of turnover decreased to 58.0% from 59.7% due to the following:

Pricing and productivity in excess of inflation	(1.1)%
Acquisitions / Divestitures	(0.6)%
Investment spending	0.3 %
Currency exchange rates	0.2 %
Non-cash stock impairment	(1.4)%
Restructuring / Spin-off costs / acquisition expenses	0.9 %
Total	(1.7)%

Costs of sales as a percentage of turnover for the year ended 31 December 2015 decreased primarily due to a $4.2 million non-cash stock impairment charge related to the devaluation of the Venezuelan bolivar in the current year compared to a $33.3 million charge in the prior year, productivity benefits in excess of inflation and the divestitures of our Venezuelan operations and Bocom. These decreases were offset by increased restructuring costs primarily in our EMEIA segment, increased investment spending, the impact of acquisitions (discussed below in "Significant events in 2015") and unfavorable foreign currency exchange rate movements.

Distribution and Administrative Expenses

For the year ended 31 December 2015, distribution and administrative expenses as a percentage of turnover decreased to 24.7% from 24.9% due to the following:

Other inflation in excess of productivity	0.1 %
Volume leverage	(1.2)%
Acquisitions / Divestitures	1.0 %
Investment spending	0.7 %
Currency exchange rates	0.2 %
Restructuring / Spin-off costs / acquisition expenses	(1.0)%
Total	(0.2)%

Distribution and administrative expenses as a percentage of turnover for the year ended 31 December 2015, improved primarily due to favorable leverage due to increased volume, lower restructuring costs compared to the prior year and spin-related costs in the prior year that did not recur in the current year. These decreases were offset by increased costs related to the acquisitions in the current year, increased investment spending, unfavorable foreign currency exchange rate movements and other inflation in excess of productivity.

Operating Profit

Operating profit (excluding other operating expenses, discussed below in Note 5 to the Consolidated Financial Statements) for the year ended 31 December 2015 increased $32.3 million from the same period in 2014 and operating margin increased to 17.3% from 15.4% for the same period in 2014 due to the following:

In millions ($)	*Operating Profit*	*Operating Margin*
31 December 2014	326.3	15.4 %
Pricing and productivity in excess of inflation	22.2	1.0 %
Volume/product mix	40.1	1.1 %
Non-cash stock impairment	29.1	1.4 %
Currency exchange rates	(29.8)	(0.4)%
Investment spending and other items	(19.7)	(0.9)%
Acquisitions / divestitures	(12.1)	(0.4)%
Restructuring / spin costs / acquisition costs	2.5	0.1 %
31 December 2015	358.6	17.3 %

Operating profit and operating margin increased primarily due to favorable volume/product mix primarily in our Americas segment, lower stock impairment charges in Venezuela in the current year, pricing improvements and productivity in excess of inflation, the impact of acquisitions in the current year and Spin-off related costs in the prior year that did not recur in the current year. These increases were partially offset by unfavorable foreign currency exchange rate movements, the divestitures of our Venezuelan operations and Bocom, increased investment spending primarily for new product development and channel development, higher restructuring costs compared to the prior year and costs incurred related to acquisitions in the current year.

Interest payable

Interest payable for the year ended 31 December 2015 decreased $0.9 million compared to the same period in 2014. Interest expense in 2014 included a non-cash charge of approximately $4.5 million for the write-off of unamortized Term Loan B Facility debt issuance costs. Excluding this charge, interest expense increased primarily due to issuing the 2023 Senior Notes, partially offset by the impact of refinancing the Senior Secured Credit Facilities in the fourth quarter of 2014 and third quarter of 2015.

Provision for taxation

For the year ended 31 December 2015, our effective tax rate decreased to 26.1% from 31.4% for the year ended 31 December 2014. The effective income tax rate for the year ended 31 December 2015 was negatively impacted by $111.3 million ($115.0 million after-tax) of charges related to the divestiture of Bocom, the divestiture of our business in Venezuela and the devaluation of the Venezuelan bolivar. Excluding these charges, the effective tax rate for the year ended 31 December 2015 decreased primarily due to favorable changes in the mix of income earned in lower rate jurisdictions, the favorable resolution of uncertain tax positions in 2015 and the continued execution of our tax strategies.

See Note 10 to the Consolidated Financial Statements for further discussion of tax matters.

Discontinued Operations

Discontinued operations recognized a loss of $0.4 million and $11.1 million for the years ended 31 December 2015 and 2014, respectively. These losses were mainly related to the sale of the United Kingdom (UK) Door Business in the third quarter of 2014 in addition to non-cancelable lease expense and other miscellaneous expenses from previously sold businesses.

See Note 12 to the Consolidated Financial Statements for further discussion.

Competitive Conditions

The security products markets are highly competitive and fragmented throughout the world, with a number of large multinational companies and thousands of smaller regional and local companies. This high fragmentation primarily reflects local regulatory requirements and highly variable end-user needs. We believe our principal global competitors are Assa Abloy AB, dorma+kaba Group, and Stanley Black & Decker Inc. We also face competition in various markets and product categories throughout the world, including from Spectrum Brands Holdings, Inc. in the North American residential market. As we move into more technologically-advanced product categories, we may also compete against smaller, more specialized competitors.

Customers

We sell most of our products and solutions through distribution and retail channels, ranging from specialty distribution to wholesalers. We have built a network of channel partners that help our customers choose the right solution to meet their security needs and help commercial and institutional end-users fulfill and install orders. We also sell through a variety of retail channels, ranging from large do-it-yourself home improvement centers to small, specialty showroom outlets. We work with our retail partners on developing marketing and merchandising strategies to maximize their sales per square foot of shelf space. Through our Interflex business, we provide products and solutions directly to end-users.

Our 10 largest customers represented approximately 24% of our total turnover in 2015. No single customer represented 10% or more of our total turnover in 2015.

Sales and Marketing

In markets where we sell through commercial and institutional distribution channels, we employ sales professionals around the world who work with a combination of end-users, security professionals, architects, contractors, engineers and distribution partners to develop specific custom-configured solutions for our end-users' needs. Our field sales professionals are assisted by specification writers who work with architects, engineers and consultants to help design door openings and security systems to meet end-users' functional, aesthetic and regulatory requirements. Both groups are supported by dedicated customer care and technical sales-support specialists worldwide. We also support our sales efforts with a variety of marketing efforts, including trade-specific advertising, cooperative distributor merchandising, digital marketing, and marketing at a variety of industry trade shows.

In markets in which we sell through retail and home-builder distribution channels, we have teams of sales, merchandising and marketing professionals who help drive brand and product awareness through our channel partners and to consumers. We utilize a variety of advertising and marketing strategies, including traditional consumer media, retail merchandising, digital marketing, retail promotions, and builder and consumer trade shows, to support these teams.

We also work actively with several regulatory bodies around the world to help promote effective and consistent safety and security standards. For example, we are members of Builders Hardware Manufacturers Association, Security Industry Association, Smart Card Alliance, American Society of Healthcare Engineering, American Institute of Architects, Construction Specification Institute, ASSOFERMA (Italy), BHE (Germany) and UNIQ (France). We also have established the Safety and Security Institute in China, which helps to educate government officials, architects and builders and advocates for consistent building codes and standards that address end-users' safety and security.

Production and Distribution

We manufacture our products in our geographic markets around the world. We operate 27 production facilities, including twelve in the Americas region, ten in EMEIA and five in Asia Pacific. We own 13 of these facilities and lease the others. Our strategy is to produce in the region of use, wherever appropriate, to allow us to be closer to the end-user and increase efficiency and timely product delivery.

In managing our network of production facilities, we focus on eliminating excess capacity, reducing cycle time through productivity, and harmonizing production practices and safety procedures.

We distribute our products through a broad network of channel partners. In addition, third-party logistics providers perform storage and distribution services for us to support certain parts of our distribution network.

Raw Materials

We support our region-of-use production strategy with corresponding region-of-use supplier partners, where available. Our global and regional commodity teams work with production leadership, product management and materials management teams to ensure adequate materials are available for production.

We purchase a wide range of raw materials, including steel, zinc, brass and other non-ferrous metals, to support our production facilities. Where appropriate, we may enter into fixed-cost contracts to lower overall costs. We do not believe the loss of any particular supplier would be material to our business.

Seasonality

Our business experiences seasonality that varies by product line. Because more construction and do-it-yourself projects occur during the second and third calendar quarters of each year in the Northern Hemisphere, our security product sales, typically, are higher in those quarters than in the first and fourth calendar quarters. However, our Interflex business typically experiences higher sales in the fourth calendar quarter due to project timing. Revenue by quarter for the years ended 31 December 2015 and 2014 are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015	22%	25%	26%	27%
2014	22%	25%	26%	27%

Research and Development

We are committed to investing in highly productive research and development capabilities, particularly in electro-mechanical systems. Our research and development ("R&D") expenditures were approximately $45.2 million and $43.3 million for the years ended 31 December, 2015 and 2014 respectively.

We concentrate on developing technology innovations that will deliver growth through the introduction of new products and solutions, and also on driving continuous improvements in product cost, quality, safety and sustainability.

We manage our R&D team as a global group with an emphasis on a global collaborative approach to identify and develop new technologies and worldwide product platforms. We are organized on a regional basis to leverage expertise in local standards and configurations. In addition to regional engineering centers in each geographic region, we also operate a global engineering center of excellence in Bangalore, India.

Intellectual Property

Intellectual property, inclusive of certain patents, trademarks, copyrights, know-how, trade secrets and other proprietary rights, is important to our business. We create, protect and enforce our intellectual property investments in a variety of ways. We work actively in the U.S. and internationally to try to ensure the protection and enforcement of our intellectual property rights. We use trademarks on nearly all of our products and believe that such distinctive marks are an important factor in creating a market for our goods, in identifying us and in distinguishing our products from others. We consider our Schlage, Von Duprin, CISA and other associated trademarks to be among our most valuable assets, and we have registered these trademarks in a number of countries. Although certain proprietary intellectual property rights are important to our success, we do not believe we are materially dependent on any particular patent or license, or any particular group of patents or licenses.

Facilities

We operate through a broad network of sales offices, 27 production facilities and several distribution centers throughout the world. Our active properties represent approximately 5.5 million square feet, of which approximately 45% is leased.

Liquidity and Capital Resources

Sources and uses of liquidity

Our primary source of liquidity is cash provided by operating activities. Cash provided by operating activities is used to invest in new product development, fund capital expenditures and fund working capital requirements and is expected to be adequate to service any future debt, pay any declared dividends and potentially fund acquisitions and share repurchases. Our ability to fund these capital needs depends on our ongoing ability to generate cash provided by operating activities, and to access our borrowing facilities (including unused availability under our Revolver) and capital markets. We believe that our future cash provided by operating activities, availability under our Revolver and access to funds on hand and capital markets, will provide adequate resources to fund our operating and financing needs.

The following table reflects the major categories of cash flows for the years ended 31 December, respectively. For additional details, please see the consolidated statements of cash flows.

In millions ($)	2015	2014
Cash provided by continuing operating activities	257.4	259.0
Cash used in investing activities	(533.8)	(34.8)
Cash provided by (used in) financing activities	195.0	(150.0)

Operating activities

Net cash provided by operating activities for the year ended 31 December 2015 decreased $1.6 million compared to the same period in 2014. Operating cash flows for 2015 reflect lower earnings from continuing operations compared to the same period in the prior year as well as increased use of working capital.

Investing activities

Net cash used in investing activities for the year ended 31 December 2015 increased $499.0 million compared to the same period in the prior year. During the year ended 31 December 2015, we paid $511.3 million of cash for acquisitions (discussed below in "Significant events in 2015"). This was offset by a decrease in capital expenditures and cash received from the sale of marketable securities.

Financing activities

Net cash provided by financing activities for the year ended 31 December 2015 increased $345.0 million compared to the same period in the prior year. We borrowed $400.0 million under the Revolver to partially finance the purchases of Simons Voss and AXA in the third quarter of 2015. Net proceeds from the issuance of our $300.0 million 2023 Senior Notes were used to repay a portion of the borrowings under the Revolver and the remaining borrowings were repaid with cash on-hand by 31 December 2015. Net repayments of other debt totaled $21.7 million for the year ended 31 December 2015 primarily associated with required amortization payments of our Term Loan A facility. Cash used in other financing activities increased $11.3 million for the year ended 31 December 2015 compared to the same period in the prior year primarily due to higher dividend payments and higher debt issuance costs partially offset by lower repurchases of our ordinary shares.

Capitalization

Borrowings at 31 December consisted of the following:

In millions ($)	2015	2014
Term Loan A Facility	926.7	962.8
5.75% Senior Notes due 2021	300.0	300.0
5.875% Senior Notes due 2023	300.0	—
Other debt, including capital leases, maturing in various amounts through 2016	18.7	1.8
Total debt	1,545.4	1,264.6
Less current portion of long term debt	65.6	49.6
Total long-term debt	1,479.8	1,215.0

The Term Loan Facility amortizes in quarterly installments, at the following rates per year: 5% in 2016, 5% in 2017, 5% in 2018, and 10% in each year thereafter, with the final installment due on 15 October 2020. We repaid $36.1 million on the Term Loan Facility as of the year ended 31 December 2015. The 2021 Senior Notes are due in full on 1 October 2021 and the 2023 Senior Notes are due in full on 15 September 2023.

We have a 5-year, $500.0 million revolving credit facility maturing on 15 October 2020. During August 2015, we borrowed $400.0 million under the Revolver and repaid the borrowed amount in full as of the year ended 31 December 2015. At 31 December 2015 and 2014, we did not have any borrowings outstanding under the Revolver. We had $26.6 million and $28.5 million of letters of credit outstanding at 31 December 2015 and 2014, respectively, which reduce availability under the Revolver.

We are required to comply with certain covenants under our Senior Secured Credit Facility. We are required to comply with a maximum leverage ratio of 4.00 to 1.00 based on a ratio of total consolidated indebtedness, net of unrestricted cash up to $150 million, to consolidated EBITDA. Additionally, we are required to have a minimum interest expense coverage ratio of 4.00 to 1.00 based on a ratio of consolidated EBITDA to consolidated interest expense, net of interest income. As of 31 December 2015 we were in compliance with these covenants. The indentures to our senior notes and the senior secured credit facilities contain affirmative and negative covenants that, among other things, limit or restrict our ability to enter into certain transactions. For further details on these covenants, see Note 24 to the Consolidated Financial Statements.

The majority of our earnings are considered to be permanently reinvested in jurisdictions where we have made, and intend to continue to make, substantial investments to support the ongoing development and growth of our global operations. Accordingly, applicable income taxes have not been accrued on the portion of our earnings that is considered to be permanently reinvested. At 31 December 2015, we had cash and cash equivalents of $199.7 million. Approximately 62% of our cash and cash equivalents was located outside the U.S.

Pension Plans

Our investment objective in managing defined benefit plan assets is to ensure that all present and future benefit obligations are met as they come due. We seek to achieve this goal while trying to mitigate volatility in plan funded status, contribution and expense by better matching the characteristics of the plan assets to that of the plan liabilities. Global asset allocation decisions are based on a dynamic approach whereby a plan's allocation to fixed income assets as the funded status increases. We monitor plan funded status and asset allocation regularly in addition to investment manager performance.

We monitor the impact of market conditions on our defined benefit plans on a regular basis. At 31 December 2015, the funded status of our qualified pension plan for U.S. employees declined to 70.9% from 77.6% at 31 December 2014 primarily due to benefit accruals in excess of contributions. The funded status for our non-U.S. pension plans decreased to 91.6% at 31 December 2015 from 95.8% at 31 December 2014. The decrease in funded status for the non-U.S. was primarily due to benefit accruals in excess of contributions. Funded status for all of our pension plans at 31 December 2015 decreased to 81.7% from 87.2% at 31 December 2014. For further details on pension plan activity, see Note 26 to the Consolidated Financial Statements.

Contractual Obligations

The following table summarizes our contractual cash obligations by required payment periods, in millions:

	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Short-term debt	65.6	—	—	—	65.6
Long-term debt	—	93.8	786.0	600.0	1,479.8
Interest payments on long-term debt	56.3	106.2	95.3	61.4	319.2
Purchase obligations	125.1	—	—	—	125.1
Operating leases	18.7	22.8	10.8	2.8	55.1
Total contractual cash obligations	265.7	222.8	892.1	664.2	2,044.8

Future expected obligations under our pension and postretirement benefit plans, income taxes, environmental and product liability matters have not been included in the contractual cash obligations table above.

Pensions

At 31 December 2015, we had net pension liabilities of $119.3 million, which consist of pension plan assets of $533.1 million and pension plan obligations of $652.4 million. It is our objective to contribute to the pension plans to ensure adequate funds are available in the plans to make benefit payments to plan participants and beneficiaries when required. We currently project that we will contribute approximately $10.8 million to our plans worldwide in 2016. Because the timing and amounts of long-term funding requirements for pension obligations are uncertain, they have been excluded from the preceding table. See Note 26 to the Consolidated Financial Statements for additional information.

Postretirement Benefits Other than Pensions

At 31 December 2015, we had postretirement benefit obligations of $12.9 million. We fund postretirement benefit costs principally on a pay-as-you-go basis as medical costs are incurred by covered retiree populations. Benefit payments, which are net of expected plan participant contributions and Medicare Part D subsidy, are expected to be approximately $1.1 million in 2016. Because the timing and amounts of long-term funding requirements for postretirement obligations are uncertain, they have been excluded from the preceding table. See Note 26 to the Consolidated Financial Statements for additional information.

Income Taxes

At 31 December 2015, we have total unrecognized tax benefits for uncertain tax positions of $23.8 million and $5.3 million of related accrued interest and penalties, net of tax. The liability has been excluded from the preceding table as we are unable to reasonably estimate the amount and period in which these liabilities might be paid. See Note 10 to the Consolidated Financial Statements for additional information regarding matters relating to income taxes, including unrecognized tax benefits and tax authority disputes.

Contingent Liabilities

We are involved in various litigations, claims and administrative proceedings, including those related to environmental, asbestos-related, and product liability matters. We believe that these liabilities are subject to the uncertainties inherent in estimating future costs for contingent liabilities, and will likely be resolved over an extended period of time. Because the timing and amounts of potential future cash flows are uncertain, they have been excluded from the preceding table. See Note 29 to the Consolidated Financial Statements for additional information.

Environmental Matters

We have a dedicated environmental program that is designed to reduce the utilization and generation of hazardous materials during the manufacturing process as well as to remediate identified environmental concerns. As to the latter, we are currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at current and former manufacturing facilities.

We are sometimes a party to environmental lawsuits and claims and have received notices of potential violations of environmental laws and regulations from the U.S. Environmental Protection Agency (the "EPA") and similar state authorities. We have also been identified as a potentially responsible party ("PRP") for cleanup costs associated with off-site waste disposal at federal Superfund and state remediation sites. For all such sites, there are other PRPs and, in most instances, our involvement is minimal.

In estimating our liability, we have assumed that we will not bear the entire cost of remediation of any site to the exclusion of other PRPs who may be jointly and severally liable. The ability of other PRPs to participate has been taken into account, based on our understanding of the parties' financial condition and probable contributions on a per site basis. Additional lawsuits and claims involving environmental matters are likely to arise from time to time in the future.

We incurred $4.4 million, and $2.9 million of expenses during the years ended 31 December 2015 and 2014, respectively, for environmental remediation at sites presently or formerly owned or leased by us. As of 31 December 2015 and 2014, we have recorded reserves for environmental matters of $15.2 million and $8.8 million respectively. Of these amounts $2.8 million and $2.4 million, respectively, relate to remediation of sites previously disposed by us. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

See Note 29 to the Consolidated Financial Statements for further discussion.

Principal Risks

The following are certain risk factors that could affect our business, financial condition, results of operations, and cash flows. The risk factors below are not the only risks faced by the Group.

Risks Relating to Our Businesses

Our global operations subject us to economic risks.

We are incorporated in Ireland and operate in countries worldwide. Our global operations depend on products manufactured, purchased and sold in the U.S. and internationally, including in Australia, China, Europe, Korea, Mexico, New Zealand and Turkey. Accordingly, we are subject to risks that are inherent in operating globally, including:

- changes in laws and regulations or imposition of currency restrictions and other restraints in various jurisdictions;
- limitation of ownership rights, including expropriation of assets by a local government, and limitation on the ability to repatriate earnings;
- sovereign debt crises and currency instability in developed and developing countries;
- imposition of burdensome tariffs and quotas;

- difficulty in staffing and managing global operations;
- difficulty in enforcing agreements, collecting receivables and protecting assets through non-U.S. legal systems;
- national and international conflict, including war, civil disturbances and terrorist acts; and
- economic downturns and social and political instability.

These risks could increase our cost of doing business internationally, increase our counterparty risk, disrupt our operations, disrupt the ability of suppliers and customers to fulfill their obligations and limit our ability to sell products in certain markets.

Our business relies on the commercial and residential construction and remodeling markets.

We primarily rely on the commercial and residential construction and remodeling markets, which are marked by cyclicality based on overall economic conditions. Weakness or instability in these markets may cause current and potential customers to delay or choose not to make purchases, which could negatively impact the demand for our products and services.

We operate in highly competitive markets.

The markets in which we operate include a large number of participants, including multi-national companies, regional companies and small local companies. We primarily compete on the basis of quality, innovation, expertise, breadth of product offering and price. We may be unable to effectively compete on all these bases. If we are unable to anticipate evolving trends in the market or the timing and scale of our competitors' activities and initiatives, the demand for our products and services could be negatively impacted.

In addition, we compete in a market that is experiencing the convergence of the mechanical and electronic products. This may lead to increased competition, including with companies with greater financial and other resources than we have. To remain competitive, we must develop new products and respond to new technologies in a timely manner.

Our growth is dependent, in part, on the development, commercialization and acceptance of new products and services.

We must develop and commercialize new products and services in order to remain competitive in our current and future markets and in order to continue to grow our business. We cannot provide any assurance that any new product or service will be successfully commercialized in a timely manner, if ever, or, if commercialized, will result in returns greater than our investment. Investment in a product or service could divert our attention and resources from other projects that become more commercially viable in the market. We also cannot provide any assurance that any new product or service will be accepted by the market.

Changes in customer preferences and the inability to maintain beneficial relationships with large customers could adversely affect our business.

We have significant customers, particularly major retailers, although no one customer represented 10% or more of our total turnover in any of the past three fiscal years. The loss or material reduction of business, the lack of success of sales initiatives or changes in customer preferences or loyalties for our products related to any such significant customer could have a material adverse impact on our business. In addition, major customers who are volume purchasers are much larger than us and have strong bargaining power with suppliers. This limits our ability to recover cost increases through higher selling prices. Furthermore, unanticipated stock adjustments by these customers can have a negative impact on sales.

Our brands are important assets of our businesses and violation of our trademark rights by imitators could negatively impact turnover and brand reputation.

Our brands and trademarks enjoy a reputation for quality and value and are important to our success and competitive position. Unauthorized use of our trademarks may not only erode sales of our products, but may also cause significant damage to our brand name and reputation, interfere with relationships with our customers and increase litigation costs. There can be no assurance that our on-going effort to protect our brand and trademark rights will prevent all violations.

Currency exchange rate fluctuations may adversely affect our results.

We are exposed to a variety of market risks, including the effects of changes in currency exchange rates. Approximately 30% of our 2015 net turnover was derived outside the U.S., and we expect sales to non-U.S. customers to continue to represent a significant portion of our consolidated net turnover. Although we may enter into currency exchange contracts to reduce our risk related to currency exchange fluctuations, changes in the relative fair values of currencies occur from time to time and may, in some instances, have a material impact on our results of operations. Because we do not hedge against all of our currency exposure our business will continue to be susceptible to currency fluctuations.

We also translate assets, liabilities, turnover and expenses denominated in non-U.S. dollar currencies into U.S. dollars for our Consolidated Financial Statements based on applicable exchange rates. Consequently, fluctuations in the value of the U.S. dollar compared to other currencies will have a material impact on the value of these items in our Consolidated Financial Statements, even if their value has not changed in their original currency.

Our business strategy includes making acquisitions and investments that complement our existing business. These acquisitions and investments could be unsuccessful or consume significant resources, which could adversely affect our operating results.

We will continue to analyze and evaluate the acquisition of strategic businesses or product lines with the potential to strengthen our industry position or enhance our existing set of products and services offerings. We cannot assure you that we will identify or successfully complete transactions with suitable acquisition candidates in the future, nor can we assure you that completed acquisitions will be successful.

Acquisitions and investments may involve significant cash expenditures, debt incurrence, operating losses and expenses. Acquisitions involve numerous other risks, including:

- diversion of management time and attention from daily operations;
- difficulties integrating acquired businesses, technologies and personnel into our business;
- difficulties in obtaining and verifying the financial statements and other business information of acquired businesses;
- inability to obtain regulatory approvals and/or required financing on favorable terms;
- potential loss of key employees, key contractual relationships or key customers of acquired companies or of us;
- assumption of the liabilities and exposure to unforeseen liabilities of acquired companies; and
- dilution of interests of holders of our ordinary shares through the issuance of equity securities or equity-linked securities.

We may also expand through acquisitions or investments into international markets in which we may have limited experience or are required to rely on business partners. In addition to the risks outlined above, expansion into international markets may require us to compete with local businesses with greater knowledge of the market, including the tastes and preferences of customers, and businesses with dominant market shares.

It may be difficult for us to complete transactions quickly, integrate acquired operations efficiently into our current business operations or effectively compete in new markets we enter. Any acquisitions or investments may ultimately harm our business or financial condition, as such acquisitions may not be successful and may ultimately result in impairment charges.

Our enterprise excellence efforts may not achieve the improvements we expect.

We utilize a number of tools to improve operational efficiency and productivity. Implementation of new processes to our operations could cause disruptions and there is no assurance that all of our planned enterprise excellence projects will be fully implemented, or if implemented will realize the expected improvements.

Our EMEIA restructuring plans may not be successful.

We have implemented a plan to restructure our EMEIA segment to improve efficiencies and regional cost structure. If we are unable to successfully implement our restructuring plan, we may not be able to improve profitability or effectively compete in the region. In addition, our restructuring plans could result in significant restructuring charges and impairment charges.

Material adverse legal judgments, fines, penalties or settlements could adversely affect our business.

We are currently and may in the future become involved in legal proceedings and disputes incidental to the operation of our business. Our business may be adversely affected by the outcome of these proceedings and other contingencies (including, without limitation, environmental matters) that cannot be predicted with certainty. As required by U.S. GAAP, we establish reserves based on our assessment of contingencies. Subsequent developments in legal proceedings and other contingencies may affect our assessment and estimates of the loss contingency recorded as a reserve and we may be required to make additional material payments.

Allegations that we have infringed the intellectual property rights of third parties could negatively affect us.

We may be subject to claims of infringement of intellectual property rights by third parties. In particular, we often compete in areas having extensive intellectual property rights owned by others and we have become subject to claims alleging infringement of intellectual property rights of others. In general, if it is determined that one or more of our technologies, products or services infringes the intellectual property rights owned by others, we may be required to cease marketing those services, to obtain licenses from the holders of the intellectual property at a material cost or to take other actions to avoid infringing the intellectual property rights. The litigation process is costly and subject to inherent uncertainties, and we may not prevail in litigation matters regardless of the merits of our position. Adverse intellectual property litigation or claims of infringement against us may become extremely disruptive if the plaintiffs succeed in blocking the trade of our products and services and may have a material adverse effect on our business.

Our reputation, ability to do business and results of operations could be impaired by improper conduct by any of our employees, agents or business partners.

We are subject to regulation under a variety of U.S. federal and state and non-U.S. laws, regulations and policies including laws related to anti-corruption, export and import compliance, anti-trust and money laundering, due to our global operations. We cannot provide assurance our internal controls will always protect us from the improper conduct of our employees, agents and business partners. Any improper conduct could damage our reputation and subject us to, among other things, civil and criminal penalties, material fines, equitable remedies (including profit disgorgement and injunctions on future conduct), securities litigation and a general loss of investor confidence.

We may be subject to risks relating to our information technology systems.

We rely extensively on information technology systems to manage and operate our business. There can be no assurance that our current information technology systems will function properly. We have invested and will continue to invest in improving our information technology systems. Some of these investments are significant and impact many important operational processes and procedures. There is no assurance that any newly implemented information technology systems will improve our current systems, will improve our operations, or will yield the expected returns on the investments. In addition, the implementation of new information technology systems may cause disruptions in our operations and, if not properly implemented, negatively impact our business. If our information technology systems cease to function properly or if these systems do not provide the anticipated benefits, our ability to manage our operations could be impaired.

We currently rely on a single vendor for many of the critical elements of our global information technology infrastructure and its failure to provide effective support for such infrastructure could negatively impact our business and financial results.

We have outsourced many of the critical elements of our global information technology infrastructure to a third-party service provider in order to achieve efficiencies. If the service provider does not perform or does not perform effectively, we may not be able to achieve the expected efficiencies and may have to incur additional costs to address failures in providing service by the service provider. Depending on the function involved, such non-performance, ineffective performance or failures of service may lead to business disruptions, processing inefficiencies or security breaches.

Our information technology infrastructure is important to our business and data security breaches or disruptions of such infrastructure could negatively impact our business and financial results.

Our information technology infrastructure is subject to cyber-attacks and unauthorized security intrusions. Despite instituting security policies and business continuity plans, our systems and networks may be vulnerable to system damage, malicious attacks from hackers, employee errors or misconduct, viruses, power and utility outages, and other catastrophic events that could cause significant harm to our business by negatively impacting our business operations, compromising the security of our proprietary information and exposing us to litigation that could adversely affect our reputation.

Commodity shortages and price increases could negatively affect our financial results.

We rely on suppliers to secure commodities, including steel, zinc, brass and other non-ferrous metals, required for the manufacture of our products. A disruption of deliveries from our suppliers or decreased availability of commodities could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. We believe that available sources of supply will generally be sufficient for our needs for the foreseeable future. Nonetheless, the unavailability of some commodities could have a material adverse impact on our business.

Volatility in the prices of these commodities could increase the costs of our products and services, and we may not be able to pass on these costs to our customers. We do not currently use financial derivatives to hedge against this volatility, however, we utilize firm purchase commitments to mitigate risk. The pricing of some commodities we use is based on market prices. To mitigate this exposure, we may use annual price contracts to minimize the impact of inflation and to benefit from deflation.

We may be required to recognize impairment charges for our goodwill and other indefinite-lived intangible assets.

At 31 December 2015, the net carrying value of our goodwill and other indefinite-lived intangible assets totaled approximately $714.1 million and $62.1 million. In accordance with U.S. GAAP, we periodically assess these assets to determine whether they are impaired. Negative industry or economic trends, disruptions to our business, unexpected changes or planned changes in use of assets, divestitures and market capitalization declines may result in recognition of impairment charges.

Successful sales and marketing efforts depend on our ability to recruit and retain qualified employees.

Our ability to successfully grow our business depends on the contributions and abilities of key executives, our sales force and other personnel, including the ability of our sales force to adapt to any changes made in the sales organization and achieve adequate customer coverage. We must therefore continue to recruit, retain and motivate management, sales and other personnel sufficiently to maintain our current business and support our projected growth. A shortage of these key employees might jeopardize our ability to grow and expand our business.

Our operations are subject to regulatory risks.

Our U.S. and non-U.S. operations are subject to a number of laws and regulations, including fire and building codes and standards, environmental and health and safety. We have incurred, and will be required to continue to incur, significant expenditures to comply with these laws and regulations. Changes to, or changes in interpretations of, current laws and regulations could require us to increase our compliance expenditures, cause us to significantly alter or discontinue offering existing products and services or cause us to develop new products and services. Altering current products and services or developing new products and services to comply with changes in the applicable laws and regulations could require significant research and development investments, increase the cost of providing the products and services and adversely affect the demand for our products and services.

We may not have been, or we may not at all times be, in full compliance with these laws and regulations. In the event a regulatory authority concludes that we are not or have not at all times been in full compliance with these laws, we could be fined, criminally charged or otherwise sanctioned.

Certain environmental laws assess liability on current or previous owners of real property or operators of manufacturing facilities for the costs of investigation, removal or remediation of hazardous substances or materials at such properties or at properties at which parties have disposed of hazardous substances. Liability for investigative, removal and remedial costs under certain U.S. federal and state laws and certain non-U.S. laws are retroactive, strict and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. We have received notification from U.S. and non-U.S. governmental agencies, including the EPA and similar state environmental agencies, that conditions at a number of current and formerly owned sites where we and others have disposed of hazardous substances require investigation, cleanup and other possible remedial action. These agencies may require that we reimburse the government for its costs incurred at these sites or otherwise pay for the costs of investigation and cleanup of these sites, including by providing compensation for natural resource damage claims from such sites.

While we have planned for future capital and operating expenditures to maintain compliance with environmental laws and have accrued for costs related to current remedial efforts, our costs of compliance, or our liabilities arising from past or future releases of, or exposures to, hazardous substances may exceed our estimates. We may also be subject to additional environmental claims for personal injury or cost recovery actions for remediation of facilities in the future based on our past, present or future business activities.

The capital and credit markets are important to our business.

Instability in U.S. and global capital and credit markets, including market disruptions, limited liquidity and interest rate volatility, or reductions in the credit ratings assigned to us by independent ratings agencies could reduce our access to capital markets or increase the cost of funding our short and long term credit requirements. In particular, if we are unable to access capital and credit markets on terms that are acceptable to us, we may not be able to make certain investments or fully execute our business plans and strategy.

Our suppliers and customers are also dependent upon the capital and credit markets. Limitations on the ability of customers, suppliers or financial counterparties to access credit could lead to insolvencies of key suppliers and customers, limit or prevent customers from obtaining credit to finance purchases of our products and services and cause delays in the delivery of key products from suppliers.

We may not be able to sustain a competitive worldwide effective corporate tax rate.

We cannot give any assurance as to what our effective tax rate will be in future years, because of, among other things, uncertainty regarding the geographic mix of income and the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of Ireland and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

Risks Related to Our Indebtedness

Our substantial leverage could harm our business by limiting our available cash and our access to additional capital and, to the extent of our variable rate indebtedness, exposing us to interest rate risk.

We have approximately $1.5 billion of outstanding indebtedness at 31 December 2015. In addition, we have a senior secured revolving credit facility that permits borrowings of up to an additional $500 million. Volatility in the credit markets could adversely impact our ability to obtain favorable terms on financing in the future. In addition, a substantial portion of our cash flows from operations is dedicated to the payment of principal and interest on our indebtedness and will not be available for other purposes, including our operations, capital expenditures, payment of dividends, share repurchase programs and future business opportunities. We may be more vulnerable than a less leveraged company to a downturn in the general economic conditions or in our business, or we may be unable to carry out capital spending that is important to our growth. We may be vulnerable to interest rate increases, as certain of our borrowings, including those under our senior secured credit facilities, are at variable rates.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which actions may not be successful.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flow from operating activities sufficient to permit us to pay the principal and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, reduce or eliminate the payment of dividends, sell assets, seek additional capital or seek to restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. The terms of the credit agreement governing our senior secured credit facilities and the indentures governing our senior notes contain customary financial covenants that may restrict our ability to use the proceeds from asset sales and therefore may not be adequate to meet any debt service obligations then due.

Despite our levels of indebtedness, we may still be able to incur substantially more debt, which could further exacerbate the risks associated with our substantial leverage.

We may be able to incur substantial additional indebtedness in the future. Although the terms of the credit agreement governing our senior secured credit facilities and the indentures governing our senior notes contain customary restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. In addition, our senior secured revolving credit facility permits borrowings of up to $500 million. If we incur additional debt above the levels we currently have, the risks associated with our leverage, including those described above, would increase.

The terms of our debt covenants could limit how we conduct our business and our ability to raise additional funds.

The terms of the credit agreement governing our senior secured credit facilities and the indentures governing our senior notes may restrict us from taking certain actions that we may think are in the best interests of our shareholders. A breach of the covenants or restrictions could result in a default under the applicable indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- limited in our ability to pay dividends or make other distributions to our shareholders;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our plans.

These covenants and restrictions could affect our ability to operate our business, and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. Additionally, our ability to comply with these covenants may be affected by events beyond our control, including general economic and credit conditions and industry downturns, and the other factors described in these "principal risks."

Our variable rate indebtedness may expose us to interest rate risk, which could cause our debt costs to increase significantly.

A portion of our borrowings at 31 December 2015 include a term loan with a variable rate of interest which exposes us to interest rate risk. We are exposed to the risk of rising interest rates to the extent that we fund our operations with short-term or variable-rate borrowings. At 31 December 2015, we have approximately $1.5 billion of aggregate debt outstanding, and this amount includes $927 million of floating-rate term loans and $600 million of our fixed-rate senior notes. We have the ability to incur up to $500 million of additional floating-rate debt under our senior secured revolving credit facility. We entered into forward starting interest rate swaps for $300.0 million of our floating-rate term loans to manage our interest rate risk. A 100 basis point increase in LIBOR would have resulted in incremental 2015 interest expense of approximately $6.5 million. If the LIBOR or other applicable base rates under our senior secured credit facilities increase in the future then the floating-rate debt could have a material effect on our interest expense.

Risks Relating to Our Spin-off

In connection with the Spin-off, Ingersoll Rand indemnified us for certain liabilities and we indemnified Ingersoll Rand for certain liabilities. If we are required to act on these indemnities to Ingersoll Rand, we may need to divert cash to meet those obligations and our financial results could be negatively impacted. The Ingersoll Rand indemnity may not be sufficient to insure us against the full amount of liabilities for which it will be allocated responsibility, and Ingersoll Rand may not be able to satisfy its indemnification obligations in the future.

Pursuant to the Separation and Distribution Agreement, the Employee Matters Agreement and the Tax Matters Agreement with Ingersoll Rand, Ingersoll Rand agreed to indemnify us for certain liabilities, and we agreed to indemnify Ingersoll Rand for certain liabilities, in each case for uncapped amounts. Such indemnities may be significant and could negatively impact our business, particularly indemnities relating to our actions that could impact the tax-free nature of the Spin-off. Third parties could also seek to hold us responsible for any of the liabilities that Ingersoll Rand retained. Further, the indemnity from Ingersoll Rand may not be sufficient to protect us against the full amount of such liabilities, and Ingersoll Rand may not be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Ingersoll Rand any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves.

If the distribution or certain internal transactions undertaken in anticipation of the spin-off are determined to be taxable for U.S. federal income tax purposes, we, our shareholders that are subject to U.S. federal income tax and/or Ingersoll Rand could incur significant U.S. federal income tax liabilities and, in certain circumstances, we could be required to indemnify Ingersoll Rand for material taxes pursuant to indemnification obligations under the Tax Matters Agreement.

Ingersoll Rand has received an IRS ruling substantially to the effect that, among other things, the distribution of our ordinary shares, together with certain related transactions, qualify under Sections 355 and 368(a) of the Internal Revenue Code ("the Code"), with the result that Ingersoll Rand and Ingersoll Rand's shareholders will not recognize any taxable income, gain or loss for U.S. federal income tax purposes as a result of the Spin-off, except to the extent of cash received in lieu of fractional shares (the "IRS Ruling"). The IRS Ruling also provided that certain internal transactions undertaken in anticipation of the distribution qualify for favorable treatment under the Code. In addition to obtaining the IRS Ruling, Ingersoll Rand received opinions from the law firm of Simpson Thacher & Bartlett LLP substantially to the effect that certain requirements, including certain requirements that the IRS did not rule on, necessary to obtain tax-free treatment have been satisfied, such that the distribution for U.S. federal income tax purposes and certain other matters relating to the distribution, including certain internal transactions undertaken in anticipation of the distribution, received tax-free treatment under Section 355 of the Code. The receipt and effectiveness of the IRS Ruling and the opinions were conditions to the distribution that were satisfied or waived by Ingersoll Rand. The IRS Ruling and the opinions rely on certain facts and assumptions and certain representations and undertakings from us and Ingersoll Rand regarding the past and future conduct of our respective businesses and other matters. Notwithstanding the IRS Ruling and the opinions, the IRS could determine on audit that the distribution or the internal transactions should be treated as taxable transactions if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the distribution or the internal transactions should be taxable for other reasons, including as a result of significant changes in shares or asset ownership after the distribution. A legal opinion represents the tax adviser's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the opinion will be based on current law, and cannot be relied upon if current law changes with retroactive effect. If the distribution is determined to be taxable, the distribution could be treated as a taxable dividend or capital gain for U.S. federal income tax purposes, and our shareholders could incur significant U.S. federal income tax liabilities. In addition, we or Ingersoll Rand could incur significant U.S. federal income tax liabilities if it is ultimately determined that certain internal transactions undertaken in anticipation of the distribution are taxable.

In addition, under the terms of the Tax Matters Agreement, in the event the distribution or the internal transactions were determined to be taxable as a result of actions taken after the distribution by us or Ingersoll Rand, the party responsible for such failure would be responsible for all taxes imposed on us or Ingersoll Rand as a result thereof. If such failure is not the result of actions taken after the distribution by us or Ingersoll Rand, then we would be responsible for any taxes imposed on us or Ingersoll Rand as a result of such determination. Such tax amounts could be significant.

If the distribution is determined to be taxable for Irish tax purposes, significant Irish tax liabilities may arise.

Ingersoll Rand has received an opinion of the Irish Revenue regarding the Irish tax consequences of the distribution to the effect that certain reliefs and exemptions for corporate reorganizations apply. In addition to obtaining the opinion from Irish Revenue, Ingersoll Rand received an opinion from the law firm of Arthur Cox confirming the applicability of the relevant exemptions and reliefs to the distribution and that certain internal transactions will not trigger tax costs. These opinions rely on certain facts and assumptions and certain representations and undertakings from us and Ingersoll Rand regarding the past and future conduct of our respective businesses and other matters. Notwithstanding the opinions, Irish Revenue could determine on audit that the distribution or the internal transactions do not qualify for the relevant exemptions or reliefs if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated. A legal opinion represents the tax adviser's best legal judgment, is not binding on Irish Revenue or the courts and Irish Revenue or the courts may not agree with the legal opinion. In addition, the legal opinion was based on current law, and cannot be relied upon if current law changes with retroactive effect. If the distribution ultimately is determined not to fall within certain exemptions or reliefs, the distribution could result in our shareholders having an Irish tax liability as a result of the distribution (if a shareholder is an Irish resident or holds shares in Ingersoll Rand in an Irish branch or agency), or we or Ingersoll Rand could incur Irish tax liabilities.

In addition, under the terms of the Tax Matters Agreement, in the event the distribution does not qualify for certain reliefs or exemptions, then we would be responsible for any taxes imposed on us or Ingersoll Rand as a result of such determination. Such tax amounts could be significant.

Risks Related to Our Incorporation in Ireland

Irish law differs from the laws in effect in the United States and may afford less protection to holders of our securities.

The United States currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. As such, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on U.S. federal or state civil liability laws, including the civil liability provisions of the U.S. federal or state securities laws, or hear actions against us or those persons based on those laws.

As an Irish company, we are governed by the Irish Companies Act, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the United States.

In addition, Irish law allows shareholders to authorize share capital which then can be issued by a board of directors without shareholder approval. Also, subject to specified exceptions, Irish law grants statutory preemptive rights to existing shareholders to subscribe for new issuances of shares for cash. However, we have opted out of these preemption rights in our Articles of Association as permitted under Irish company law. Irish law provides that this opt-out expires after five years unless renewed by a special resolution of the shareholders. These authorizations must be renewed by the shareholders every five years and we cannot guarantee that these authorizations will always be approved.

Changes in tax laws, regulations or treaties, changes in our status under the tax laws of many jurisdictions or adverse determinations by taxing authorities could increase our tax burden or otherwise affect our financial condition or operating results, as well as subject our shareholders to additional taxes.

The realization of any tax benefit related to our incorporation and tax residence in Ireland could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities of many jurisdictions. From time to time, proposals have been made and/or legislation has been introduced to change the tax laws of various jurisdictions or limit tax treaty benefits that if enacted could materially increase our tax burden and/or effective tax rate. For instance, recent U.S. legislative proposals could modify or eliminate the tax deductibility of various currently deductible payments, which could materially and adversely affect our effective tax rate and cash tax position. Moreover, other U.S. legislative proposals could have a material adverse impact on us by overriding certain tax treaties and limiting the treaty benefits on certain payments by our U.S. subsidiaries to our non-U.S. affiliates, which could increase our tax liability. We cannot predict the outcome of any specific legislation in any jurisdiction.

While we monitor proposals that would materially impact our tax burden and/or effective tax rate and investigate our options, we could still be subject to increased taxation on a going forward basis no matter what action we undertake if certain legislative proposals are enacted, certain tax treaties are amended and/or our interpretation of applicable tax law is challenged and determined to be incorrect. In particular, any changes and/or differing interpretations of applicable tax law that have the effect of disregarding our incorporation in Ireland, limiting our ability to take advantage of tax treaties between jurisdictions, modifying or eliminating the deductibility of various currently deductible payments, or increasing the tax burden of operating or being resident in a particular country, could subject us to increased taxation.

Dividends received by our shareholders may be subject to Irish dividend withholding tax.

In certain circumstances, we are required to deduct Irish dividend withholding tax (currently at the rate of 20%) from dividends paid to our shareholders. In the majority of cases, shareholders resident in the United States will not be subject to Irish withholding tax, and shareholders resident in a number of other countries will not be subject to Irish withholding tax provided that they complete certain Irish dividend withholding tax forms. However, some shareholders may be subject to withholding tax, which could discourage the investment in our stock and adversely impact on the price of our shares.

Dividends received by our shareholders could be subject to Irish income tax.

Dividends paid in respect of our shares generally are not subject to Irish income tax where the beneficial owner of these dividends is exempt from Irish dividend withholding tax, unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Allegion.

Our shareholders who receive their dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on the dividends unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Allegion.

Certain provisions in our Articles of Association, among other things, could prevent or delay an acquisition of us, which could decrease the trading price of our ordinary shares.

Our Memorandum and Articles of Association contain provisions to deter takeover practices, inadequate takeover bids and unsolicited offers. These provisions include, amongst others:

- a provision of our Articles of Association which generally prohibits us from engaging in a business combination with an interested shareholder (being (i) the beneficial owner of the relevant percentage of our voting shares or (ii) an affiliate or associate of us that has at any time within the last five years been the beneficial owner of the relevant percentage of our voting shares), subject to certain exceptions;

- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our Board of Directors to issue preferred shares without shareholder approval in certain circumstances, subject to applicable law; and
- the ability of our Board of Directors to fill vacancies on our Board of Directors in certain circumstances.

We believe these provisions will provide some protection to our shareholders from coercive or otherwise unfair takeover tactics. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our Board of Directors determines is in our best interests and our shareholders' best interests. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

In addition, several mandatory provisions of Irish law could prevent or delay an acquisition of us. For example, Irish law does not permit shareholders of an Irish public limited company to take action by written consent with less than unanimous consent. We also will be subject to various provisions of Irish law relating to mandatory bids, voluntary bids, requirements to make a cash offer and minimum price requirements, as well as substantial acquisition rules and rules requiring the disclosure of interests in our shares in certain circumstances. Also, Irish companies, including us, may alter their Memorandum of Association and Articles of Association only with the approval of at least 75% of the votes of the company's shareholders cast in person or by proxy at a general meeting of the company.

The agreements that we entered into with Ingersoll Rand in connection with the spin-off generally require Ingersoll Rand's consent to any assignment by us of our rights and obligations under the agreements. The consent and termination rights set forth in these agreements might discourage, delay or prevent a change of control that shareholders may consider favorable.

Significant events in 2015

Acquisitions

During the year ended 31 December 2015, we completed six acquisitions or investments:

Business	*Month*	*Primary business segment*	*Description of business*
iDevices	February	Americas	A brand and development partner in the Internet of Things industry. The investment is accounted for using the equity method.
Zero	April	Americas	Manufactures door and window products for commercial spaces and products include sealing systems, such as sound control, fire and smoke protection, threshold applications, lites, door louvers, intumescent products, photo-luminescent and flood barrier for doors.
Brio	May	Asia-Pacific	Designs and manufactures sliding and folding door hardware for commercial and residential spaces.
Milre	July	Asia-Pacific	Produces high-quality and innovative electronic door locks.
SimonsVoss	September	EMEIA	Designs and manufactures electronic locks.
AXA	September	EMEIA	Manufactures and sells a branded portfolio of portable locks and lights as well as a wide variety of window and door hardware.

Total consideration paid for these acquisitions was $511.3 million (net of cash acquired), paid through cash on hand and borrowings under our Senior Secured Revolving Credit Facility ("Revolver").

For the year ended 31 December 2015, we incurred $17.9 million of costs related to these acquisitions.

Divestitures

In the third quarter of 2015, we sold our majority ownership in our Venezuelan operation to Venezuelan investors. As a result of the sale, we recorded a non-cash charge of $26.1 million, which primarily represents cumulative currency translation adjustments that were deferred in equity and were reclassified to a loss in our consolidated profit and loss account.

Prior to the divestiture, we recorded charges totaling $7.0 million (before tax and minority interest) in 2015 related to the devaluation of the Venezuelan bolivar. The charges included remeasurement of net monetary assets ($2.8 million) and a non-cash impairment charge to adjust Venezuelan stock balances ($4.2 million). As a result of the divestiture, we no longer have foreign currency exposures in Venezuela. The assets and liabilities of the Venezuela operation were reclassified to assets and liabilities held for sale within the Consolidated Balance Sheets for prior periods.

We completed the sale of our majority stake of Bocom in the fourth quarter of 2015. Bocom operates a security system integration business exclusively in China. Under the terms of the transaction, we may receive up to $75.0 million based on future performance and additional payments of approximately $8.3 million related to working capital transferred with the sale. Additionally, we will retain 15% of the shares of Bocom. We estimate the fair value of the consideration to be $75.3 million. We currently estimate payment to be completed in approximately 2 years; however repayment may be delayed depending on the timing of future cash collections. We may incur additional charges if it is determined that future cash collections will no longer occur.

As a result of the sale, the Group recorded a pre-tax charge of $78.1 million ($82.4 million after tax charges) during the year ended 31 December 2015 to write the carrying value of Bocom's assets and liabilities down to their estimated fair value less costs to complete the transaction. Bocom's assets and liabilities were reclassified to assets and liabilities held for sale within the Consolidated Balance Sheets for prior periods.

2015 Dividends

We paid quarterly dividends of $0.10 per ordinary share to shareholders on 31 March 2015, 30 June 2015, 30 September 2015, and 30 December 2015. We paid a total of $38.4 million in cash for dividends to ordinary shareholders during the year ended 31 December 2015.

Restructuring charges

In the second quarter of 2015, management committed to a restructuring plan in Italy to improve our competitive position, ensure long-term viability and enhance customer experience. In conjunction with this plan, we incurred severance and other restructuring charges of $14.7 million and other charges of $0.5 million for the year ended 31 December 2015.

Financing activities

In September 2015, we issued $300.0 million of Senior Notes due 2023 (the "2023 Senior Notes"). We used the net proceeds of the offering to repay a portion of the borrowings under our Revolver that were used to fund the acquisitions of SimonsVoss and AXA. The 2023 Senior Notes accrue interest at the rate of 5.875% per annum, payable semi-annually on 15 March and 15 September of each year, beginning 15 March 2016. The 2023 Senior Notes mature on 15 September 2023.

In September 2015, we completed the Second Amendment and Restatement Agreement to our Credit Agreement. The Second Amendment and Restatement, among other things, reduced the applicable margin for LIBOR rate borrowings to range from 1.375% to 1.875% (from 1.50% to 2.00%) and the applicable margin for base rate borrowings to range from 0.375% to 0.875% (from 0.50% to 1.00%) and extended the maturity date of the Revolver and the Term Loan Facility due in 2020 (the "Term Loan A Facility") from 15 October 2019 to 15 October 2020.

Share repurchases

In February 2014, our Board of Directors authorized the repurchase of up to $200 million of our ordinary shares. We paid a total of $30.0 million to repurchase 0.5 million ordinary shares during the year ended 31 December 2015. At 31 December 2015 we have approximately $120 million available under the authorized share repurchase plan.

Results for the year and proposed transfer to reserves

The results for the year are set out in the Group consolidated profit and loss account on page 30. The balance to be transferred to reserves is $153.9 million.

Future Developments

We intend to achieve sustained, profitable growth in the markets we serve today and in adjacent product categories by being the preferred, trusted security partners to our end-users.

Accounting records

The directors are responsible for ensuring that the Company keeps proper books of accounting records and appropriate accounting systems to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014. To achieve this, the directors have appointed a Chief Financial Officer who makes regular reports to the Board of Directors. The Chief Financial Officer makes regular reports to the Audit and Finance Committee of the Board of Directors. In addition, the head of the Company's internal audit department makes regular reports to the Audit and Finance Committee regarding fraud and other financial-related irregularities. The Audit and Finance Committee, in turn, briefs the full Board of Directors on significant financial matters arising from reports of the Chief Financial Officer, the head of internal audit and the external auditor.

The measures taken by the directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Block D, Iveagh Court, Harcourt Road, Dublin 2, Republic of Ireland.

Events since Year End

Dividends declared

On 4 February 2016, the Allegion Board of Directors (the Board) declared a quarterly dividend of $0.12 cents per ordinary share. The dividend was paid on 31 March 2016 to shareholders of record on 16 March 2016, a total of 95.7 million shares and a total dividend amount of $11.5 million.

Share repurchases

During February and March 2016, the Group repurchased and cancelled 499,495 ordinary shares of $0.01 each, at a weighted average price of $60.06.

Directors and Secretary

The names of the persons who were directors or secretary at any time during the year ended 31 December 2015 are set out below.

David D. Petratis (Appointed 01 December 2013)
Kirk S. Hachigian (Appointed 17 November 2013)
Michael J. Chesser (Appointed 01 December 2013)
Martin E. Welch III (Appointed 01 December 2013)
Carla Cico (Appointed 01 December 2013)
Dean I. Schaffer (Appointed 09 April 2014)

Samuel W. Sheek - Company Secretary (Appointed 11 June 2014)

Directors' and Secretary's Interests in Shares

No director, the company secretary or any member of their immediate families had any interest in shares or debentures of any subsidiary. Directors' remuneration is set forth in Note 9 to the Consolidated Financial Statements. The beneficial interests, including the interests of spouses and minor children, of the directors and secretaries in office at 31 December (or date of appointment if later) in the share capital of Allegion plc pursuant to section 329 of the Companies Act 2014, are presented in the table below:

	At 31 December 2015		At 31 December 2014	
Directors	Shares	Options and Awards	Shares	Options and Awards
David D. Petratis	34,026	224,988	19,230	155,942
Kirk S. Hachigian	2,166	1,159	1,345	—
Michael J. Chesser	2,166	1,159	1,345	—
Martin E. Welch III	2,179	1,159	1,345	—
Carla Cico	1,937	1,159	1,116	—
Dean I. Schaffer	2,021	1,159	496	973
Secretaries				
Samuel W. Sheek	1,851	16,354	1,363	13,651

Political Donations

No political contributions that require disclosure under s26 (1) Electoral Act 1997 (as amended) were made during the financial year.

Subsidiary Companies and Associates

Information regarding subsidiary undertakings and associates are provided in Note 37 to the Consolidated Financial Statements.

Going Concern

The board has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the board has taken account of current and anticipated trading performance, together with the current and anticipated levels of net debt and the availability of the committed borrowing facilities. For this reason, the going concern basis continues to be adopted in the preparation of the Group and the Company financial statements.

AGM

The Annual General Meeting of the Group will take place at The Mandarin Oriental, Neuturmstrasse l, Munich, Germany on 8 June 2016, at 5pm local time (4pm GMT). Shareholders in Ireland may participate in the Annual General Meeting at the Company's headquarters located at Block D, Iveagh Court, Harcourt Road, Dublin 2, Ireland. The notice of meeting and a description of the business to be transacted are available on the Group's website at www.allegion.com.

Auditors

The Auditor, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On behalf of the Directors

David D. Petratis	*Martin E. Welch III*
David D. Petratis	Martin E. Welch III
Director	Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year that give a true and fair view of the consolidated and company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the group for the financial year. Under that law, the directors have prepared the consolidated financial statements in accordance with U.S. accounting standards, as defined in Section 279 (1) of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Act or of any regulations made thereunder and the Parent Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the consolidated financial statements of Allegion plc (the parent Company) and its subsidiaries (the Group) comply with accounting principles generally accepted in the United States of America (U.S. GAAP) to the extent that it does not contravene Irish Company Law and that the stand alone entity balance sheet of the parent Company comply with accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law; 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:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

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 the maintenance and integrity of the corporate and financial information included on the company's website (www.allegion.com). Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Allegion plc

Report on the financial statements

Our opinion

In our opinion:

- Allegion plc's group and parent company financial statements (the "financial statements") give a true and fair view of the group's and parent company's assets, liabilities and financial position as at 31 December 2015 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared, in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the group financial statements does not contravene any provision of the Companies Act 2014 or of any regulations made thereunder;
- the parent company balance sheet has been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

What we have audited

The financial statements comprise:

- the Consolidated and the Parent Company Balance Sheets as at 31 December 2015;
- the Consolidated Profit and Loss account for the year then ended;
- the Consolidated reconciliation of movements in shareholders' funds for the year then ended;
- the Parent Company Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the group financial statements is Irish law and US GAAP, as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Act 2014 or of any regulations made thereunder.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

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

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion, the accounting records of the parent company were sufficient to permit the Parent Company financial statements to be readily and properly audited.
- The parent company balance sheet is in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

Independent auditors' report to the members of Allegion plc - continued

Matter on which we are required to report by exception

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Kevin Egan
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

7 April 2016

Allegion plc
Consolidated Profit and Loss Account
For the year ended 31 December

	Note	2015	2014
		$m	$m
Turnover	3	2,068.1	2,118.3
Cost of sales		(1,199.0)	(1,264.6)
Gross profit		869.1	853.7
Distribution costs		(289.5)	(281.5)
Administrative expenses		(221.0)	(245.9)
Other operating expenses	5	(4.9)	(7.6)
		(515.4)	(535.0)
Operating profit		353.7	318.7
Income from other financial assets	15	11.2	1.9
Other interest receivable and similar income	6	1.5	1.1
Interest payable and similar charges	7	(52.9)	(53.8)
Loss on divestitures	4	(104.2)	—
Profit on ordinary activities before taxation	8	209.3	267.9
Tax on profit on ordinary activities	10	(54.6)	(84.2)
Profit on ordinary activities after taxation		154.7	183.7
Discontinued operations, net of taxation	12	(0.4)	(11.1)
Profit after taxation		154.3	172.6
Minority interests in subsidiary undertaking	33	(0.4)	2.6
Profit for the financial year		153.9	175.2

Profit (loss) per share attributable to Allegion plc ordinary shareholders:

	Note	2015	2014
Basic:	14		
Continuing operations		$ 1.61	$ 1.94
Discontinued operations		(0.01)	(0.12)
Profit for the period		$ 1.60	$ 1.82
Diluted:	14		
Continuing operations		$ 1.59	$ 1.92
Discontinued operations		—	(0.12)
Profit for the period		$ 1.59	$ 1.80

Allegion plc
Consolidated Balance Sheet
At 31 December

	Note	2015	2014
		$m	$m
Fixed assets			
Intangible assets	16	1,086.5	609.8
Tangible assets	17	224.8	207.2
Financial assets	15	36.9	31.7
		1,348.2	848.7
Current Assets			
Stocks	18	204.1	169.3
Debtors	19	331.3	286.0
Cash at bank and in hand	20	199.7	290.5
Assets held for sale	12	—	255.9
		735.1	1,001.7
Debtors: Amounts falling due after more than one year	21	202.0	165.5
Creditors: Amounts falling due within one year	22	(412.7)	(504.5)
Net current assets		322.4	497.2
Total assets less current liabilities		1,872.6	1,511.4
Creditors: Amounts falling due after more than one year	23	(1,481.0)	(1,215.9)
Net assets excluding provisions for liabilities		391.6	295.5
Provisions for liabilities	28	(361.9)	(277.0)
Net assets (liabilities) including provisions for liabilities and charges		29.7	18.5
Capital and reserves			
Called up share capital presented as equity	31	1.0	1.0
Share premium account	32	49.2	34.9
Other reserves	32	(203.7)	(134.3)
Profit and loss account	32	179.1	93.6
Equity shareholders' funds		25.6	(4.8)
Minority interests	33	4.1	23.3
		29.7	18.5

Approved by the Board of Directors on 7 April 2016 and signed on its behalf by:

David D. Petratis
David D. Petratis
Director

Martin E. Welch III
Martin E. Welch III
Director

Allegion plc
Consolidated Reconciliation of Movements in Shareholders' Funds

	Total Shareholders' Equity	Called up Share Capital		Share Premium Account	Profit and Loss Account	Other Reserves	Minority Interest
		Amount	Shares				
	$m	$m	Number	$m	$m	$m	$m
Balance at 31 December 2013	(35.0)	1.0	96.0	27.7	1.1	(95.9)	31.1
Profit for the period	172.6	—	—	—	175.2	—	(2.6)
Other comprehensive income (loss)	(52.2)	—	—	—	—	(51.5)	(0.7)
Shares issued under incentive stock plans	18.5	—	—	18.5	—	—	—
Repurchase of ordinary shares	(50.3)	—	(1.0)	—	(50.3)	—	—
Share-based compensation	13.1	—	0.8	—	—	13.1	—
Dividends declared to minority interests	(4.5)	—	—	—	—	—	(4.5)
Cash dividends declared ($0.32 per share)	(30.7)	—	—	—	(30.7)	—	—
Other	(13.0)	—	—	(11.3)	(1.7)	—	—
Balance at 31 December 2014	18.5	1.0	95.8	34.9	93.6	(134.3)	23.3
Profit for the period	154.3	—	—	—	153.9	—	0.4
Other comprehensive income (loss)	(85.4)	—	—	—	—	(84.0)	(1.4)
Shares issued under incentive stock plans	14.3	—	—	14.3	—	—	—
Repurchase of ordinary shares	(30.0)	—	(0.5)	—	(30.0)	—	—
Share-based compensation	14.6	—	0.7	—	—	14.6	—
Acquisition/divestiture of minority interest	1.7						1.7
Dividends declared to minority interests	(19.9)	—	—	—	—	—	(19.9)
Cash dividends declared ($0.40 per share)	(38.4)	—	—	—	(38.4)	—	—
Balance at 31 December 2015	29.7	1.0	96.0	49.2	179.1	(203.7)	4.1

Allegion plc
Consolidated Statement of Cash Flows
For the year ended 31 December

	2015	2014
	$m	$m
Cash flows from operating activities:		
Profit after taxation	154.3	172.6
Loss from discontinued operations, net of tax	0.4	11.1
Adjustments to arrive at net cash provided by operating activities:		
Write off Debt Issuance costs	—	4.5
Depreciation and amortization	53.2	48.8
Share based compensation	14.6	13.1
Excess tax benefit from share based awards	(3.3)	(4.5)
Loss on sale of business	102.8	—
Gain on sale of marketable securities	(11.0)	—
Loss on sale of tangible fixed assets	0.9	0.1
Equity earnings, net of dividends	0.3	(0.5)
Deferred income taxes	(2.0)	17.2
Other Items	(11.3)	10.9
Changes in other assets and liabilities		
(Increase) decrease in:		
Debtors	(13.5)	(8.0)
Stock	(5.8)	3.4
Other current and noncurrent assets	(5.0)	(24.2)
Increase (decrease) in:		
Creditors	(14.7)	43.4
Other current and noncurrent liabilities	(2.5)	(28.9)
Net cash provided by continuing operating activities	257.4	259.0
Net cash used in discontinued operating activities	(0.4)	(3.1)
Net cash provided by operating activities	257.0	255.9
Cash flows from investing activities:		
Capital expenditures	(35.2)	(51.5)
Restricted cash	—	40.2
Acquisition of businesses, net of cash acquired	(511.3)	(25.2)
Proceeds from sale of tangible fixed assets	0.3	0.5
Proceeds from business dispositions, net of cash sold	0.1	1.2
Proceeds from sale of marketable securities	12.3	—
Net cash used in investing activities	(533.8)	(34.8)
Cash flows from financing activities:		
Short-term borrowings, net	18.8	(22.0)
Proceeds from revolving credit facility	400.0	—
Proceeds from long-term debt	300.0	956.3
Payments of long-term debt	(440.5)	(1,012.3)
Net proceeds (repayments) in debt	278.3	(78.0)

Allegion plc
Consolidated Statement of Cash Flows - (Continued)

	2015	2014
	$m	$m
Debt issuance costs	(9.0)	(5.8)
Excess tax benefit from share-based compensation	3.3	4.5
Dividends paid to ordinary shareholders	(38.3)	(30.0)
Dividends paid to minority interests	(20.0)	(4.5)
Repurchase of ordinary shares	(30.0)	(50.3)
Net transfers to Parent and affiliates	—	—
Proceeds from shares issued under incentive plans	11.0	14.1
Other, net	(0.3)	—
Net cash provided by (used in) financing activities	195.0	(150.0)
Effect of exchange rate changes on cash and cash equivalents	(9.0)	(8.0)
Net (decrease) increase in cash and cash equivalents	(90.8)	63.1
Cash at bank and in hand – beginning of period	290.5	227.4
Cash at bank and in hand – end of period	199.7	290.5

See accompanying notes to the Consolidated Financial Statements.

1. BASIS OF PREPARATION

Irish law requires the directors to prepare financial statements for each financial year that give a true and fair view of the consolidated and Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year. Under that law, the directors have prepared the consolidated financial statements in accordance with U.S. accounting standards, as defined in Section 279(1) of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Act or of any regulations made thereunder and the Parent Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law). The Consolidated Financial Statements are prepared in accordance with Irish Company Law, to present to the shareholders of Allegion plc and file with the Companies Registration Office in Ireland. Accordingly, these Consolidated Financial Statements include disclosures required by the Companies Act 2014 of Ireland in addition to those required under U.S. GAAP.

The separate financial statements of the Company have been prepared on the going concern basis and in accordance with Generally Accepted Accounting Practice in Ireland (applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

On 1 December 2013, Allegion became a stand-alone Group after Ingersoll-Rand plc ("Ingersoll Rand") completed the separation of its commercial and residential security businesses ("the Business") from the rest of Ingersoll Rand, via the transfer of the Business from Ingersoll Rand to Allegion and the issuance by Allegion of ordinary shares directly to Ingersoll Rand's shareholders (the "Spinoff"). As part of the Spinoff, Allegion issued one ordinary share for every three ordinary shares of Ingersoll Rand held of record as of 5:00 p.m., New York City time on 22 November 2013 in return for the entire share capital of the subsidiaries which owned all the assets and liabilities of the Business. Allegion ordinary shares trade under the symbol "ALLE" on the New York Stock Exchange. Allegion issued a total of approximately 96.0 million ordinary shares in the Spin-off. Under Irish Company Law, this transaction has been accounted for using the merger method of accounting in the Consolidated Financial Statements.

The profit attributable to equity shareholders dealt within the financial statements of the Company in 2015 was $18.7 million (2014: profit of $106.6 million). In accordance with section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies.

The financial statements are presented in U.S. dollars.

Certain comparative balances relating to businesses disposed of during the year have been re-classified from original presentation to discontinued operations and assets and liabilities held for sale in the current financial statements. Details of these balances can be found in Note 12.

2. SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies used in the preparation of the accompanying Consolidated Financial Statements follows:

Accounting Convention: These financial statements are prepared under the historical cost convention.

Basis of Consolidation: The Consolidated Financial Statements include all majority-owned subsidiaries of the Group. A minority interest in a subsidiary is considered an ownership interest in a majority-owned subsidiary that is not attributable to the parent. The Group includes minority interests as a component of total equity in the consolidated balance sheet and the profit for the period attributable to minority interests are presented as an adjustment from profit after taxation used to arrive at profit for the period attributable to Allegion plc in the consolidated profit and loss account.

Partially-owned equity affiliates represent 20-50% ownership interests in investments where we demonstrate significant influence, but do not have a controlling financial interest. Partially-owned equity affiliates are accounted for under the equity method. The Group is also required to consolidate variable interest entities in which it bears a majority of the risk to the entities' potential losses or stands to gain from a majority of the entities' expected returns. Intercompany accounts and transactions have been eliminated. The assets, liabilities, results of operations and cash flows of all discontinued operations have been separately reported as discontinued operations.

Turnover Recognition: Turnover is recognized and earned when all of the following criteria are satisfied: (a) persuasive evidence of a sales arrangement exists; (b) the price is fixed or determinable; (c) collectability is reasonably assured; and (d) delivery has occurred or service has been rendered. Delivery generally occurs when the title and the risks and rewards of ownership have substantially transferred to the customer. Both the persuasive evidence of a sales arrangement and fixed or determinable price criteria are deemed to be satisfied upon receipt of an executed and legally binding sales agreement or contract that clearly defines the terms and conditions of the transaction including the respective obligations of the parties. If the defined terms and conditions allow variability in all or a component of the price, turnover is not recognized until such time that the price becomes fixed or determinable. At the point of sale, the Group validates the existence of an enforceable claim that requires payment within a reasonable amount of time and assesses the collectability of that claim. If collectability is not deemed to be reasonably assured, then turnover recognition is deferred until such time that collectability becomes probable or cash is received. Delivery is not considered to have occurred until the customer has taken title and assumed the risks and rewards of ownership. Service and installation turnover are recognized when earned. In some instances, customer acceptance provisions are included in sales arrangements to give the buyer the ability to ensure the delivered product or service meets the criteria established in the order. In these instances, turnover recognition is deferred until the acceptance terms specified in the arrangement are fulfilled through customer acceptance or a demonstration that established criteria have been satisfied. If uncertainty exists about customer acceptance, turnover is not recognized until acceptance has occurred.

The Group offers various sales incentive programs to our customers, dealers, and distributors. Sales incentive programs do not preclude turnover recognition, but do require an accrual for the Group’s best estimate of expected activity. Examples of the sales incentives that are accrued for as a contra receivable and sales deduction at the point of sale include, but are not limited to, discounts (i.e. net 30 type), coupons, and rebates where the customer does not have to provide any additional requirements to receive the discount. Sales returns and customer disputes involving a question of quantity or price are also accounted for as a reduction in turnover and a contra receivable. At 31 December 2015 and 2014, the Group had a customer claim accrual (contra receivable) of $24.5 million and $23.5 million, respectively. All other incentives or incentive programs where the customer is required to reach a certain level of purchases, remain a customer for a certain period, provide a rebate form or is subject to additional requirements are accounted for as a reduction of turnover and establishment of a liability. At 31 December 2015 and 2014, the Group had a sales incentive accrual of $26.6 million and $23.2 million, respectively. Each of these accruals represents the Group’s best estimate it expects to pay related to previously sold units based on historical claim experience. These estimates are reviewed regularly for accuracy. If updated information or actual amounts are different from previous estimates, the revisions are included in the Group’s results for the period in which they become known. Historically, the aggregate differences, if any, between the Group’s estimates and actual amounts in any year have not had a material impact on the financial statements.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of turnover and expenses during the reporting period. Estimates are based on several factors including the facts and circumstances available at the time the estimates are made, historical experience, risk of loss, general economic conditions and trends, and the assessment of the probable future outcome. Some of the more significant estimates include accounting for doubtful accounts, useful lives of tangible and intangible assets, purchase price allocations of acquired businesses, valuation of assets including goodwill and other intangible assets, product warranties, sales allowances, pension plans, post-retirement benefits other than pensions, taxes, environmental costs, product liability and other contingencies. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the statement of operations in the period that they are determined.

Currency Translation: Assets and liabilities of non-U.S. subsidiaries, where the functional currency is not the U.S. dollar, have been translated at year-end exchange rates, and income and expenses accounts have been translated using average exchange rates throughout the year. Adjustments resulting from the process of translating an entity’s financial statements into the U.S. dollar have been recorded in the equity section of the balance sheet within other reserves. Transactions that are denominated in a currency other than an entity’s functional currency are subject to changes in exchange rates with the resulting gains and losses recorded within profit on ordinary activities before taxation.

Cash at Bank and in Hand: Cash at bank and in hand include cash on hand, demand deposits and all highly liquid investments with original maturities at the time of purchase of three months or less.

Marketable Securities: The Group has classified its marketable securities as available-for-sale in accordance with U.S. GAAP. Available-for-sale marketable securities are accounted for at fair value, with the unrealized gain or loss, less applicable deferred income taxes, recorded within other reserves. If any of the Group’s marketable securities experience other than temporary declines in value as defined by U.S. GAAP, a loss is recorded in the consolidated profit and loss account.

Stock: Stock is stated at the lower of cost or net realizable value using the first-in first-out (FIFO) method.

Allowance for Doubtful Accounts: The Group has provided an allowance for doubtful accounts reserve which represents the best estimate of probable loss inherent in the Group’s debtor portfolio. Changes in the financial condition of customers or other unanticipated events, which may affect their ability to make payments, could result in charges for additional allowances exceeding the Group's estimates. The Group's estimates are influenced by the following considerations: a continuing credit evaluation of our customers’ financial condition; debtors aging; and historical loss experience. The Group reserved $3.8 million and $3.2 million for doubtful accounts as of 31 December 2015 and 2014, respectively.

Tangible Fixed Assets: Tangible fixed assets are stated at cost, less accumulated depreciation. Assets placed in service are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset except for leasehold improvements, which are depreciated over the shorter of their economic useful life or their lease term. The range of useful lives used to depreciate tangible fixed assets is as follows:

Buildings	10	to	50	years
Machinery and equipment	2	to	12	years
Vehicles	3	to	6	years
Fixtures and Fittings	5	to	10	years
Software	2	to	7	years

Repair and maintenance costs that do not extend the useful life of the asset are charged against earnings as incurred. Major replacements and significant improvements that increase asset values and extend useful lives are capitalized.

The Group assesses the recoverability of the carrying value of its tangible fixed assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If the undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized for the amount by which the carrying value of the asset exceeds the fair value of the assets.

Goodwill and Intangible Assets: The Group records as goodwill the excess of the purchase price over the fair value of the net assets acquired. Once the final valuation has been performed for each acquisition, adjustments may be recorded.

Irish company law requires goodwill and other fixed assets to be written off over a time period which does not exceed their useful life. Consistent with US GAAP, the Group does not amortize goodwill and certain intangibles over an arbitrary period as they are considered to have an indefinite life. In accordance with U.S. GAAP, goodwill and other indefinite-lived intangible assets are tested and reviewed annually for impairment during the fourth quarter or whenever there is a significant change in events or circumstances that indicate that the fair value of the asset is more likely than not less than the carrying amount of the asset.

Recoverability of goodwill is measured at the reporting unit level and begins with a qualitative assessment to determine if it is more likely than not that the fair value of each reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test included in U.S. GAAP. For those reporting units where it is required, the first step compares the carrying amount of the reporting unit to its estimated fair value. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. To the extent that the carrying value of the reporting unit exceeds its estimated fair value, a second step is performed, wherein the reporting unit's carrying value of goodwill is compared to the implied fair value of goodwill. To the extent that the carrying value exceeds the implied fair value, impairment exists and must be recognized.

The calculation of estimated fair value is based on two valuation techniques, a discounted cash flow model (income approach) and a market adjusted multiple of earnings and turnover (market approach), with each method being weighted in the calculation. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The estimated fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit, as determined in the first step of the goodwill impairment test, was the price paid to acquire that reporting unit.

Recoverability of other intangible assets with indefinite useful lives (i.e. Trademarks) is determined on a relief from royalty methodology (income approach), which is based on the implied royalty paid, at an appropriate discount rate, to license the use of an asset rather than owning the asset. The present value of the after-tax cost savings (i.e. royalty relief) indicates the estimated fair value of the asset. Any excess of the carrying value over the estimated fair value is recognized as an impairment loss equal to that excess.

Intangible assets such as patents, customer-related intangible assets and other intangible assets with finite useful lives are amortized on a straight-line basis over their estimated economic lives. The weighted-average useful lives approximate the following:

Customer relationships	25	years
Trademarks	25	years
Completed technology/patents	10	years
Other	25	years

Recoverability of intangible assets with finite useful lives is assessed in the same manner as tangible fixed assets as described above.

Taxation: For the purposes of the Group's Consolidated Financial Statements for periods prior to the Spin-off, the income tax expense has been recorded as if the Group filed tax returns on a stand-alone basis separate from Ingersoll Rand. This separate return methodology applies the accounting guidance for income taxes to the stand-alone financial statements as if the Group was a stand-alone enterprise for the periods prior to the Spin-off. Therefore, cash tax payments and items of current and deferred taxes may not be reflective of the Group's actual tax balances prior to or subsequent to the Spin-off. Cash paid for income taxes for the year ended 31 December 2015 was approximately $80.6 million.

The income tax accounts reflected in the consolidated balance sheets as of 31 December 2015 and 2014 include income taxes payable and deferred taxes allocated to the Group at the time of the Spin-off. The calculation of the Group's income taxes involves considerable judgment and the use of both estimates and allocations.

Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. The Group recognizes future tax benefits, such as net operating losses and non-U.S. tax credits, to the extent that realizing these benefits is considered in its judgment to be more likely than not. The Group regularly reviews the recoverability of its deferred tax assets considering its historic profitability, projected future taxable income, timing of the reversals of existing temporary differences and the feasibility of its tax planning strategies. Where appropriate, the Group records a valuation allowance with respect to a future tax benefit.

Product Warranties: Standard product warranty accruals are recorded at the time of sale and are estimated based upon product warranty terms and historical experience. The Group assesses the adequacy of its liabilities and will make adjustments as necessary based on known or anticipated warranty claims, or as new information becomes available.

Environmental Costs: The Group is subject to laws and regulations relating to protecting the environment. Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to existing conditions caused by past operations, which do not contribute to current or future turnover, are expensed. Liabilities for remediation costs are recorded when they are probable and can be reasonably estimated, generally no later than the completion of feasibility studies or the Group's commitment to a plan of action. The assessment of this liability, which is calculated based on existing technology, does not reflect any offset for possible recoveries from insurance companies, and is not discounted. Refer to Note 28 and Note 29 for further details of environmental matters.

Research and Development Costs: The Group conducts research and development activities for the purpose of developing and improving new products and services. These expenditures are expensed when incurred. For the years ended 31 December 2015 and 2014, these expenditures amounted to approximately $45.2 million and $43.3 million respectively and consist of salaries, wages, benefits, building costs and other overhead expenses.

Software Costs: The Group capitalizes certain qualified internal-use software costs during the application development stage and subsequently amortizes those costs over the software's useful life, which ranges from 2 to 7 years. Refer to Note 17 for further details on software.

Employee Benefit Plans: The Group provides a range of benefits, including pensions, post-retirement and post-employment benefits to eligible current and former employees. Determining the cost associated with such benefits is dependent on various actuarial assumptions, including discount rates, expected return on plan assets, compensation increases, employee mortality, turnover rates, and healthcare cost trend rates. Actuaries perform the required calculations to determine expense in accordance with U.S. GAAP. Actual results may differ from the actuarial assumptions and are generally accumulated into other reserves and amortized into the profit and loss over future periods. The Group reviews its actuarial assumptions at each measurement date and makes modifications to the assumptions based on current rates and trends, if appropriate. Refer to Note 26 for further details on employee benefit plans.

Provisions: Provisions are recorded for various contingencies arising in the normal course of business, including litigation and administrative proceedings, environmental matters, product liability, product warranty, worker's compensation and other claims. The Group has recorded reserves in the financial statements related to these matters, which are developed using inputs derived from actuarial estimates and historical and anticipated experience data depending on the nature of the reserve and, in certain instances, with consultation of legal counsel, internal and external consultants and engineers. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, the Group believes its estimated reserves are reasonable and does not believe the final determination of the liabilities with respect to these matters would have a material effect on the financial condition, results of operations, liquidity or cash flows of the Group for any year. Refer to Note 28 for further details on provisions.

Derivative Instruments: The Group periodically enters into cash flow and other derivative transactions to specifically hedge exposure to various risks related to currency rates. The Group recognizes all derivatives on the consolidated balance sheet at their fair value as either assets or liabilities. For cash flow designated hedges, the effective portion of the changes in fair value of the derivative contract are recorded in other reserves, net of taxes, and are recognized in the profit and loss account at the time earnings are affected by the hedged transaction. For other derivative transactions, the changes in the fair value of the derivative contract are immediately recognized in the consolidated profit and loss account. Refer to Note 25 for further details on derivative instruments.

Dividends: Dividend income is recognized when the right to receive the payment is established. Interim dividends on ordinary shares to the Group's external shareholders are recognized in the financial statements when they are paid. In accordance with U.S. GAAP, interim dividends to Minority Interests are recognized as a liability in the period in which they are declared.

Recently Adopted Accounting Pronouncements:

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which amends the definition of a discontinued operation in Accounting Standards Codification Topic 205-20 (Presentation of Financial Statements - Discontinued Operations) and requires entities to disclose additional information about disposal transactions that do not meet the discontinued operations criteria. ASU 2014-08 redefines a discontinued operation as a component or group of components of an entity that (1) has been disposed of by sale or other than by sale or is classified as held for sale and (2) represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. According to the ASU, a strategic shift that has (or will have) a major effect on an entity's operations and results includes the disposal of a major geographical area, a major line of business, a major equity investment, or other major parts of an entity. The ASU is effective prospectively for disposals or components classified as held for sale in periods on or after 15 December 2014. As a result of the adoption of ASU 2014-08, the Group's divestiture of its operation in Venezuela and of its systems integration business in China did not qualify as discontinued operations. See Note 12 for more information.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. Prior to the issuance of the standard, entities were required to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. The ASU is effective for financial statements issued for annual periods beginning after 15 December 2017, and interim periods within annual periods beginning after December 15, 2018, however early adoption was permitted. The Group adopted the provisions of ASU 2015-17 on a prospective basis at 31 December 2015.

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for these investments. The ASU will be effective for annual reporting periods beginning after 15 December 2015, however, early adoption was permitted. The Group adopted the provisions of ASU 2015-07 on a retrospective basis at 31 December 2015.

Recently Issued Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 is the result of a joint project between the FASB and International Accounting Standards Board ("IASB") to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards ("IFRS") that would remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, provide more useful information to users of financial statements through improved disclosure requirements and simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. On July 9, 2015, the FASB voted to defer the effective date by one year to the interim and annual periods beginning on or after 15 December 2017. Early adoption is permitted for periods beginning on or after 15 December 2016. The Group is assessing the impact ASU 2014-09 will have on the Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." ASU 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The ASU is effective for annual and interim reporting periods beginning after 15 December 2015, including interim periods within that reporting period. Early adoption is permitted. The requirements of ASU 2014-12 are not expected to have a significant impact on the Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." ASU 2014-15 provides guidance on management's responsibility in evaluating whether there is substantial doubt about a Group's ability to continue as a going concern and to provide related footnote disclosures. The ASU will be effective in the fourth quarter of 2016. Early adoption is permitted. The requirements of ASU 2014-15 are not expected to have a significant impact on the Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as an asset. The ASU is effective for annual reporting periods beginning after 15 December 2015. Early adoption is permitted. As of 31 December 2015, the Group had $29.2 million in unamortized debt issuance costs.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." ASU 2015-11 changes the measurement principle for stock from the lower of cost or market to the lower of cost and net realizable value. The standard defines net realizable value as estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The ASU is effective for annual and interim reporting periods beginning after 15 December 2016, including interim periods within that reporting period. Early adoption is permitted. The requirements of ASU 2015-11 are not expected to have a significant impact on the Consolidated Financial Statements.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 802): Simplifying the Accounting for Measurement-Period Adjustments." ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Prior to the issuance of the standard, entities were required to retrospectively apply adjustments made to provisional amounts recognized in a business combination. The ASU is effective for fiscal years, and interim periods within those years, beginning after 15 December 2015. Early adoption is permitted. The requirements of ASU 2015-16 are not expected to have a significant impact on the Consolidated Financial Statements.

3. BUSINESS SEGMENT INFORMATION

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the operating segments' results are prepared on a management basis that is consistent with the manner in which the Group disaggregates financial information for internal review and decision making. The Group largely evaluates performance based on Segment operating profit and Segment operating margins.

Segment operating profit is the measure of profit and loss that the Group's chief operating decision maker uses to evaluate the financial performance of the business and as the basis for performance reviews, compensation and resource allocation. For these reasons, the Group believes that Segment operating profit represents the most relevant measure of segment profit and loss. The Group's chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges, from operating profit to arrive at a Segment operating profit that is a more meaningful measure of profit and loss upon which to base its operating decisions. The Group defines Segment operating margin as Segment operating profit as a percentage of Net turnover.

Each reportable segment is based primarily on the geography in which it operates. A description of the Group's reportable segments is as follows:

The Americas segment provides security products and solutions in approximately 30 countries throughout North America and parts of South America. The segment sells a broad range of products and solutions including, locks, locksets, key systems, door closers, exit devices, doors and door frames, electronic product and access control systems to end-users in commercial, institutional and residential facilities, including into the education, healthcare, government, commercial office and single- and multi-family residential markets. This segment's strategic brands are Schlage, Von Duprin and LCN.

The EMEIA segment provides security products and solutions throughout Europe, the Middle East, India and Africa in approximately 85 countries. The segment offers customers the same portfolio of products as the Americas segment, as well as time and attendance and workforce productivity solutions. This segment's strategic brands are Bricard, CISA, Interflex and SimonsVoss. This segment also resells Schlage, Von Duprin and LCN products, primarily in the Middle East.

The Asia Pacific segment provides security products and solutions throughout Asia Pacific in approximately 14 countries. The segment offers customers the same portfolio of products as the Americas segment. This segment's strategic brands are Milre, Schlage, CISA, Von Duprin and LCN.

Effective 1 September 2014, the Group completed the sale of its United Kingdom (UK) Door businesses to an unrelated third party. The businesses sold included the Dor-o-Matic™ branded automatic door business, the Martin Roberts™ branded performance steel doorset business and the UK service organization. Historical results of the component have been reclassified to discontinued operations for all periods presented. Refer to Note 12 for further details on discontinued operations.

A summary of operations and balance sheet information by reportable segments for the years ended 31 December were as follows:

	2015 $m	2014 $m
Americas		
Turnover	1,558.4	1,560.0
Operating profit	418.0	387.3
Operating profit as a percentage of turnover	26.8 %	24.8%
Depreciation and amortization	26.4	24.8
Capital expenditures	18.9	23.6
Total segment assets	878.4	990.7
EMEIA		
Turnover	386.3	393.4
Operating profit	8.6	4.9
Operating profit as a percentage of turnover	2.2 %	1.2%
Depreciation and amortization	17.2	16.4
Capital expenditures	5.6	4.9
Total segment assets	899.4	457.7
Asia Pacific		
Turnover	123.4	164.9
Operating (loss) profit	(3.4)	2.3
Operating (loss) profit as a percentage of turnover	(2.8)%	1.4%
Depreciation and amortization	2.1	1.1
Capital expenditures	2.0	1.5
Total segment assets	237.1	442.2
Total net turnover	2,068.1	2,118.3
Reconciliation to profit on ordinary activities before taxation		
Operating profit from reportable segments	423.2	394.5
Unallocated corporate expense	64.6	68.2
Interest expense	52.9	53.8
Loss on divestitures	104.2	—
Other operating (income) expenses	(7.8)	4.6
Total profit on ordinary activities before taxation	209.3	267.9
Depreciation and amortization from reportable segments	45.7	42.3
Unallocated depreciation and amortization	3.1	1.9
Total depreciation and amortization	48.8	44.2
Capital expenditures from reportable segments	26.5	30.0
Corporate capital expenditures	8.7	21.5
Total capital expenditures	35.2	51.5
Assets from reportable segments	2,014.9	1,890.6
Unallocated assets (a)	270.4	125.3
Total assets	2,285.3	2,015.9

(a) Unallocated assets consists of debt issuance costs, deferred income tax balances and cash.

Turnover by destination and product as well as long-lived assets by geographic area for the years ended 31 December were as follows:

	2015	2014
	$m	$m
Turnover - by destination		
United States	1,425.1	1,332.0
Non-U.S.	643.0	786.3
Total	2,068.1	2,118.3

	2015	2014
	$m	$m
Turnover - by product		
Mechanical products	1,661.4	1,685.0
All other	406.7	433.3
Total	2,068.1	2,118.3

Less than 10% of the Group's turnover come from the sale of services.

	2015	2014
	$m	$m
Long-lived assets		
United States	134.9	126.4
Non-U.S.	400.2	196.1
Total	535.1	322.5

4. LOSS ON DIVESTITURES

The Group sold its majority ownership in its Venezuelan operation to Venezuelan investors. As a result of the sale in the third quarter of 2015, the Group recorded a non-cash charge of $26.1 million, which primarily represents cumulative currency translation adjustments that were previously deferred in equity and were reclassified to a loss in the consolidated profit and loss account upon sale.

The Group sold a majority stake of Bocom Wincent Technologies Co., Ltd. ("Bocom") in the fourth quarter of 2015. As a result of the sale, the Group recorded a non-cash, pre-tax charge of $78.1 million ($82.4 million after tax charges) during the year ended 31 December 2015 to write the carrying value of Bocom's assets and liabilities down to their estimated fair value less costs to complete the transaction.

The directors have chosen to disclose the total charge of $104.2 million as a separate line item in the profit and loss account in order to facilitate an assessment of the performance of the group for the year ended 31 December 2015. Refer to Note 12 for further details.

5. OTHER OPERATING EXPENSES

	2015	2014
	$m	$m
Net foreign exchange loss	(4.9)	(7.6)
	(4.9)	(7.6)

In February 2015, the Venezuelan government announced changes to its exchange rate system that included the launch of a new, market-based system called the Marginal Currency System, or "SIMADI." During the year ended 31 December 2015 the Group recorded a charge of $2.8 million in order to remeasure net monetary assets at the SIMADI rate and other unfavorable currency impacts.

In March 2014, the Venezuelan government launched a SICAD II rate to provide a greater supply of U.S. dollars from sources other than the Venezuelan government. Given accelerated deterioration in economic conditions driven by a significant drop in the price of oil and no expectation of improvement for the foreseeable future, the Group concluded that the SICAD II exchange rate was the most appropriate rate at which to value bolivar denominated assets and liabilities. As a result, on 31 December 2014, the Group moved the exchange rate applied to bolivars from the official rate to the SICAD II rate. The Group recorded a charge of $12.1 million in order to remeasure net monetary assets to the SICAD II rate.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	$m	$m
Interest on investments	1.5	1.1
	1.5	1.1

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	$m	$m
Interest on bank debt	(25.1)	(27.3)
Interest on Senior notes	(22.2)	(17.4)
Amortization of Debt issuance cost	(5.6)	(9.1)
	(52.9)	(53.8)

Interest expense for the year ended 31 December 2015 decreased $0.9 million compared to the same period in 2014. Interest expense in 2014 included a non-cash charge of approximately $4.5 million for the write-off of unamortized Term Loan B Facility debt issuance costs. Excluding this charge, interest expense increased primarily due to issuing the 2023 Senior Notes, partially offset by the impact of refinancing the Senior Secured Credit Facilities in the fourth quarter of 2014 and third quarter of 2015. Refer to Note 24 for further information.

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	$m	$m
Profit on ordinary activities before taxation has been arrived at after charging:		
Staff costs		
Wages & salaries	462.7	461.6
Social welfare	110.9	116.1
Other pension costs	15.4	21.3
Depreciation (Note 17)	36.4	34.5
Amortization of intangible assets (Note 16)	11.9	9.5
Auditors' remuneration	4.1	5.0
Restructuring costs (Note 13)	15.1	7.1
Research and development	45.2	43.3

Auditors Remuneration	**2015**	**2014**
	$m	**$m**
Audit of the group and statutory accounts	3.0	2.9
Other assurance services	0.2	0.1
Tax advisory services	0.9	1.9
Other non-audit	—	0.1
	4.1	5.0

9. EMPLOYEE COSTS

The average number of persons employed in the Group, including executive directors, during the year was as follows:

	2015	**2014**
Business segment	**Number**	**Number**
Americas	6,060	5,507
EMEIA	2,454	2,280
Asia Pacific	489	523
	9,003	8,310

	2015	**2014**
Employee costs	**$m**	**$m**
Wages & salaries *	462.7	461.6
Social welfare & other pension costs	126.3	137.4
	589.0	599.0

*The cost of labor capitalized within the stock balance as of 31 December was approximately $10.7 million (2014: $10.0 million)

	2015	**2014**
Directors' remuneration	**$m**	**$m**
Emoluments	4.2	4.1
Contributions to retirement benefits schemes: Defined contribution	0.2	0.1
	4.4	4.2

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

Profit on ordinary activities before taxation for the years ended 31 December were taxed within the following jurisdictions:

	2015 $m	2014 $m
United States	123.1	162.2
Non-U.S.	86.2	105.7
Total	209.3	267.9

The taxation components for income taxes for the years ended 31 December were as follows:

	2015 $m	2014 $m
Current tax expense:		
United States	53.4	52.9
Non-U.S.	3.5	14.1
Total:	56.9	67.0
Deferred tax expense (benefit):		
United States	2.1	15.6
Non-U.S.	(4.4)	1.6
Total:	(2.3)	17.2
Total tax expense (benefit):		
United States	55.5	68.5
Non-U.S.	(0.9)	15.7
Total	54.6	84.2

The provision for income tax differs from the amount of income taxes determined by applying the applicable U.S. statutory income tax rate to pretax income, as a result of the following differences:

	Percent of pretax income	
	2015	2014
Statutory U.S. rate	35.0%	35.0%
Increase (decrease) in rates resulting from:		
Non-U.S. tax rate differential (1)	(11.1)	(9.6)
State and local income taxes (1)	2.8	3.0
Reserves for uncertain tax positions	(3.4)	(2.1)
Tax on unremitted earnings	1.5	0.3
Tax on remitted earnings	—	2.5
Venezuela devaluation	0.9	4.0
Production incentives	(1.0)	(2.4)
Other adjustments	1.4	0.7
Effective tax rate	26.1%	31.4%

(1) Net of changes in valuation allowances

At 31 December a summary of the deferred tax accounts is as follows:

	2015 $m	2014 $m
Deferred tax assets:		
Stock and Debtors	10.2	10.8
Fixed assets and intangibles	14.5	22.3
Post-employment and other benefit liabilities	65.5	63.3
Other reserves and accruals	12.7	11.1
Net operating losses, tax credits and other carryforwards	133.4	45.2
Investment and other asset basis differences	1.1	1.3
Other	6.2	1.0
Gross deferred tax assets	243.6	155.0
Less: deferred tax valuation allowances	(133.3)	(50.8)
Deferred tax assets net of valuation allowances	110.3	104.2
Deferred tax liabilities:		
Fixed assets and intangibles	(96.7)	(34.6)
Unremitted earnings of foreign subsidiaries	(3.9)	(0.8)
Other	(6.7)	(2.2)
Gross deferred tax liabilities	(107.3)	(37.6)
Net deferred tax assets	3.0	66.6

At 31 December 2015, $3.9 million of deferred tax was recorded for certain undistributed earnings of foreign subsidiaries. No deferred taxes have been provided for any portion of the remaining undistributed earnings of the Group's subsidiaries since these earnings have been, and will continue to be, permanently reinvested in these subsidiaries. For many reasons, including the number of legal entities and jurisdictions involved, the complexity of the Group's legal entity structure, the complexity of tax laws in the relevant jurisdictions and the impact of projections of income for future years to any calculations, the Group believes it is not practicable to estimate, within any reasonable range, the amount of additional taxes which may be payable upon the distribution of earnings.

At 31 December 2015, the Group had the following tax losses and tax credit carryforwards available to offset taxable income in prior and future years:

	Amount $m	Expiration Period
U.S. Federal tax loss carryforwards	15.3	2027 & 2028
U.S. Federal and State credit carryforwards	21.6	2024-Unlimited
U.S. State tax loss carryforwards	21.3	2016-2036
Non-U.S. tax loss carryforwards	373.8	Unlimited

The U.S. state loss carryforwards were incurred in various jurisdictions. The non-U.S. loss carryforwards were incurred in various jurisdictions, predominantly in China, Ireland, Luxembourg and the United Kingdom.

The Group evaluates its deferred income tax assets to determine if valuation allowances are required or should be adjusted. U.S. GAAP requires that companies assess whether valuation allowances should be established against their deferred tax assets based on consideration of all available evidence, both positive and negative, using a "more likely than not" standard. This assessment considers the nature, frequency and amount of recent losses, the duration of statutory carryforward periods and tax planning strategies. In making such judgments, significant weight is given to evidence that can be objectively verified.

Activity associated with the Group's valuation allowance is as follows:

	2015 $m	2014 $m
Beginning balance	50.8	46.9
Increase to valuation allowance	82.2	28.0
Decrease to valuation allowance	(3.0)	(15.8)
Foreign exchange translation	(1.6)	(1.7)
Accumulated other comprehensive income (loss)	4.9	(6.6)
Ending balance	133.3	50.8

During 2015, the valuation allowance increased by $82.5 million. This increase is the result of changes in jurisdictional profitability, country specific tax laws and changes in judgment and facts regarding the realizability of deferred tax assets.

The Group has total unrecognized tax benefits of $23.8 million and $25.4 million as of 31 December 2015, and 31 December 2014. The amount of unrecognized tax benefits that, if recognized, would affect the continuing operations effective tax rate are $23.8 million as of 31 December 2015. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2015 $m	2014 $m
Beginning balance	25.4	40.6
Additions based on tax positions related to the current year	3.9	3.1
Additions based on tax positions related to prior years	1.6	11.8
Reductions based on tax positions related to prior years	(3.0)	(23.9)
Reductions related to settlements with tax authorities	—	(0.7)
Reductions related to lapses of statute of limitations	(1.4)	(2.7)
Translation (gain)	(2.7)	(2.8)
Ending balance	23.8	25.4

The Group records interest and penalties associated with the uncertain tax positions within its Provision for income taxes. The Group had reserves associated with interest and penalties, net of tax, of $5.3 million and $6.2 million at 31 December 2015 and 2014. For the year ended 31 December 2015 the Group did not recognize interest and penalties in continuing operations and recognized $(2.2) million in net interest and penalties, net of tax, in continuing operations for the year ended 31 December 2014 related to these uncertain tax positions.

The total amount of unrecognized tax benefits relating to the Group's tax positions is subject to change based on future events including, but not limited to, the settlements of ongoing audits and/or the expiration of applicable statutes of limitations. Although the outcomes and timing of such events are highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits, excluding interest and penalties, could potentially be reduced by up to approximately $2.2 million during the next 12 months.

The provision for income taxes involves a significant amount of management judgment regarding interpretation of relevant facts and laws in the jurisdictions in which the Group operates. Future changes in applicable laws, projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by the Group. In addition, tax authorities periodically review income tax returns filed by the Group and can raise issues regarding its filing positions, timing and amount of income or deductions, and the allocation of income among the jurisdictions in which the Group operates. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a tax authority with respect to that return. In the normal course of business, the Group is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Canada, France, Germany, Italy, Mexico and the United States. In general, the examination of the material tax returns of subsidiaries of the Group is complete for the years prior to 2003, with certain matters being resolved through appeals and litigation.

In connection with the Spin-off, the Group and Ingersoll Rand entered into a Tax Matters Agreement for the allocation of taxes. As of 31 December 2015, the Group agreed to indemnify Ingersoll Rand $0.6 million for various tax matters, exclusive of interest and penalties of $0.6 million, which is reflected as a provision for liability ($2.4 million and $1.8 million at 31 December 2014). In addition, the Group has recorded a $36.4 million indemnity payable to Ingersoll Rand related to a filing for competent authority relief, which is reflected as a provision for liability ($43.4 million at 31 December 2014). As part of this competent authority filing, the Group has also recorded $36.4 million within Debtors - Amounts falling due after more than one year. The $36.4 million is exclusive of interest in the amount of $5.6 million ($43.4 million and $6.4 million at 31 December 2014). Furthermore, the Group has booked an additional tax recoverable in the amount of $5.3 million related to the competent authority filing. The Group also has an indemnity receivable from Ingersoll Rand in the amount of $5.0 million reflected within Debtors - Amounts falling due after more than one year ($5.6 million at 31 December 2014). The indemnity receivable is primarily related to additional competent authority relief filings.

11. ACQUISITIONS

In February 2015, the Group made an investment in iDevices, a brand and development partner in the Internet of Things industry. The investment is accounted for using the equity method.

In April 2015, the Group completed the acquisition of certain assets of Zero International, Inc. ("Zero"). Zero manufactures door and window products for commercial spaces and products include sealing systems, such as sound control, fire and smoke protection, threshold applications, lites, door louvers, intumescent products, photo-luminescent and flood barrier for doors.

In May 2015, the Group completed the acquisition of the assets of Brio, a division of RMD Industries Pty Ltd ("Brio"). Brio is a designer and manufacturer of sliding and folding door hardware for commercial and residential spaces in Australia, New Zealand, the United Kingdom and the United States.

In July 2015, the Group completed the acquisition of Milre Systek Co., Ltd. ("Milre"). Milre is a leading security solutions manufacturer in South Korea, focused on producing high-quality and innovative electronic door locks.

In September 2015, the Group completed the acquisition of SimonsVoss Technologies GmbH ("SimonsVoss") for approximately $230.0 million. SimonsVoss, headquartered in Munich, Germany, is an electronic lock company in the European electronic market segment. SimonsVoss generated turnover of approximately $69.2 million in 2014.

In September 2015, the Group completed the acquisition of AXA Stenman Holding ("AXA") for approximately $208.0 million. AXA is a European residential and portable security provider headquartered in Veenendaal, the Netherlands, with production facilities in the Netherlands, France and Poland. AXA manufactures and sells a branded portfolio of portable locks and lights as well as a wide variety of window and door hardware. The products are sold throughout Europe to bicycle manufacturers, retail distributors and property builders. AXA generated turnover of approximately $79.8 million in 2014.

Total consideration paid for the acquisitions was $511.3 million (net of cash acquired). The preliminary allocation of the aggregate purchase price to assets acquired and liabilities assumed for the acquisitions described above is as follows:

In millions ($)	
Debtors	23.3
Stock	34.8
Other current assets	2.0
Tangible assets, net	27.2
Goodwill	256.4
Intangible assets, net	273.8
Debtors - Amounts falling due after more than one year	12.5
Creditors	(12.2)
Accrued expenses and other current liabilities	(30.1)
Deferred tax liabilities and other noncurrent liabilities	(76.4)
	511.3

Intangible assets are primarily comprised of acquired customer lists and completed technologies. Goodwill results from several factors including Allegion-specific synergies that were excluded from the cash flow projections used in the valuation of intangible assets and intangible assets that do not qualify for separate recognition (i.e., assembled workforce). The majority of the goodwill is not deductible. The purchase price allocations for the acquisitions are pending completion of valuations for certain assumed liabilities and calculation of deferred tax balances. These acquisitions are accounted for as business combinations.

The following unaudited pro forma financial information for the years ended 31 December 2015 and 2014 reflects the consolidated results of operations of the Group as if the acquisitions had taken place on 1 January 2014.

	31 December	
In millions ($), except per share amounts	**2015**	**2014**
Net turnover	2,170.2	2,305.2
Net profit attributable to Allegion plc	167.0	155.6
Basic profit per share	1.74	1.62
Diluted profit per share	1.72	1.60

During the year ended 31 December 2015 the Group incurred $17.9 million of acquisition related costs. These expenses are included in distribution and administrative expenses in the consolidated profit and loss account. For pro forma purposes, these expenses were assumed to have been incurred on 1 January 2014. Pro forma Net profit (loss) attributable to Allegion plc in the table above has been adjusted to reflect the costs in the assumed acquisition period.

The Group’s historical financial information was adjusted to give effect to the pro forma events that were directly attributable to the acquisitions. This unaudited pro forma financial information has been presented for informational purposes only and does not purport to be indicative of results of operations that would have occurred had the pro forma events taken place on the date indicated or the future consolidated results of operations of the combined Group.

The unaudited pro forma financial information has been calculated after applying the Group's accounting policies and adjusting the results of the acquired companies to reflect the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had been applied from 1 January 2014 with the consequential tax effects. Additionally, interest related to the issuance of $300 million of senior notes and the borrowing of $100 million on the revolving facility has been included in the pro forma results above as if the debt was outstanding as of 1 January 2014. For purposes of calculating interest on the additional debt amounts, the Group has assumed the total amount is outstanding for all pro forma periods presented.

The following financial information reflects the turnover and profit of the acquired companies since their respective acquisition dates included in the consolidated profit and loss account as of the year ended 31 December 2015.

In millions ($)	**2015**
Net turnover	74.5
Profit before income tax	2.2

Profit before income tax includes $7.1 million of expenses related to the step-up of acquired stock to fair value.

12. DIVESTITURES AND DISCONTINUED OPERATIONS

Divestitures

The Group sold its majority ownership in its Venezuelan operation to Venezuelan investors. As a result of the sale in the third quarter of 2015, the Group recorded a non-cash charge of $26.1 million, which primarily represents cumulative currency translation adjustments that were previously deferred in equity and were reclassified to a loss in the consolidated profit and loss account upon sale. $16.2 million of assets and $3.5 million of liabilities related to the Venezuela operation were reclassified to assets and liabilities held for sale within the Consolidated Balance Sheets for all periods presented. Assets held for sale in respect of the Venezuelan operations were comprised mainly of $8.3 million in Stock, with the remaining $7.9 million being attributable to Debtors and Tangible assets.

The Group sold a majority stake of Bocom Wincent Technologies Co., Ltd. ("Bocom") in the fourth quarter of 2015. Bocom operates a security system integration business exclusively in China and provides services primarily to Chinese governments and government agencies. Under the terms of the transaction, the Group may receive consideration of up to $75.0 million based on the future cash collection performance of Bocom and additional payments of approximately $8.3 million related to working capital transferred with the sale. Additionally, the Group will retain 15% of the shares of Bocom. The Group currently estimates the fair value of the consideration to be $75.3 million, of which $51.2 million is classified in Debtors and the remaining amount is classified within Debtors, amounts falling due after more than one year within the Consolidated Balance Sheet. The Group currently estimates payment to be completed in approximately 2 years; however repayment may be delayed depending on the timing of future cash collections. The Group may incur additional charges if it is determined that future cash collections will no longer occur.

The consideration has been accounted for as a receivable and recorded net of an unamortized discount. A nominal discount was amortized and recognized in interest income on the consolidated profit and loss account based on the expected term of the receivable. The fair value of the receivable was estimated by discounting the expected future cash flows. The assumptions used in this estimate are considered unobservable inputs. Fair value measurements that utilize significant unobservable inputs are categorized as Level 3 measurements under the accounting guidance.

As a result of the sale, the Group recorded a non-cash, pre-tax charge of $78.1 million ($82.4 million after tax charges) during the year ended 31 December 2015 to write the carrying value of Bocom's assets and liabilities down to their estimated fair value less costs to complete the transaction. Bocom's assets and liabilities were reclassified to assets and liabilities held for sale within the Consolidated Balance Sheets for all periods presented.

Bocom's assets and liabilities held for sale at 31 December 2014 were comprised of the following:

	2014
	$m
Debtors	26.8
Costs in excess of billings on uncompleted contracts	181.1
Stock	1.3
Other current assets	4.0
Goodwill	21.5
Financial Assets and other non current assets	2.7
Total assets held for sale in relation to Bocom	237.4
Creditors	72.9
Accrued expenses & other current liabilities	24.8
Provisions for liabilities	0.8
Total liabilities held for sale in relation to Bocom	98.5

Net turnover and profit (loss) before income taxes of Bocom for the year ended 31 December were as follows:

	2015	**2014**
	$m	**$m**
Net turnover	38.5	97.3
(Loss) / Profit before income taxes	(63.4)	3.6

Net turnover and profit (loss) for Bocom were historically weighted to the second half of the year, reflecting typical seasonality of contract awards.

Discontinued operations

Discontinued operations recognized a loss of $0.4 million and $11.1 million for the years ended 31 December 2015 and 2014, respectively. These losses were mainly related to the sale of the United Kingdom (UK) Door Business in the third quarter of 2014 in addition to non-cancelable lease expense and other miscellaneous expenses from previously sold businesses.

13. RESTRUCTURING ACTIVITIES AND SEPARATION COSTS

Restructuring

During 2015 and 2014 the Group incurred costs of $15.1 million and $7.1 million respectively, associated with ongoing restructuring actions. These actions included workforce reductions as well as the closure and consolidation of manufacturing facilities in an effort to increase efficiencies across multiple lines of business.

2015 Italy Restructuring Plan

In the second quarter of 2015, management committed to a restructuring plan in Italy. The plan aims to improve competitive position, ensure long-term viability and enhance customer experience. Expenses incurred for this plan for the year ended 31 December were as follows:

	2015 $m
EMEIA	14.7
Total	14.7
Cost of sales	13.6
Distribution and administrative expenses	1.1
Total	14.7

The above expenses primarily related to severance charges.

The Group incurred other non-qualified restructuring charges of $0.5 million during the year ended 31 December 2015 in conjunction with the other restructuring plans, which represent costs that are directly attributable to restructuring activities, but do not fall into the severance, exit or disposal category.

Other Restructuring Plans

Restructuring charges recorded during the years ended 31 December as part of other restructuring plans were as follows:

	2015 $m	2014 $m
Americas	—	0.1
EMEIA	—	7.0
Asia Pacific	0.4	—
Total	0.4	7.1
Cost of sales	—	1.4
Distribution and administrative expenses	0.4	5.7
Total	0.4	7.1

These charges primarily related to workforce reductions in an effort to increase efficiencies across multiple lines of business.

The changes in the restructuring reserve during the years ended 31 December 2015 and 2014 were as follows:

In millions ($)	EMEIA	Asia Pacific	Total
31 December 2014	1.9	—	1.9
Additions	14.7	0.4	15.1
Cash and non-cash uses	(6.0)	(0.2)	(6.2)
Currency translation	(0.6)	—	(0.6)
31 December 2015	10.0	0.2	10.2

The majority of the costs accrued as of 31 December 2015 will be paid within one year.

14. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing profit for the financial year attributable to Allegion plc by the weighted-average number of ordinary shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potentially dilutive ordinary shares, which in the Group's case, includes shares issuable under share-based compensation plans.

The following table summarizes the weighted-average number of ordinary shares outstanding for basic and diluted earnings per share calculations:

	2015	2014
	$m	$m
Weighted-average number of basic shares	95.9	96.1
Shares issuable under incentive stock plans	1.0	1.1
Weighted-average number of diluted shares	96.9	97.2

At 31 December 2015, 0.3 million stock options were excluded from the computation of weighted average diluted shares outstanding because the effect of including these shares would have been anti-dilutive.

15. FINANCIAL ASSETS

The Group's financial assets were comprised of:

	2015	2014
	$m	$m
Investment in associates	15.4	6.4
Capital investments	18.9	22.6
Deposits	1.0	0.5
Long term other investments and notes receivable	1.6	2.2
At 31 December	36.9	31.7

At 31 December marketable securities included within Financial Assets in the consolidated balance sheet were as follows:

	2015			2014		
	Amortized cost or cost	Unrealized gains	Fair value	Amortized cost or cost	Unrealized gains	Fair value
	$m	$m	$m	$m	$m	$m
Equity securities	1.2	13.0	14.2	5.2	12.7	17.9

During the year ended 31 December 2015 the Group recorded gains from the sale of marketable securities of $11.0 million.

16. INTANGIBLE ASSETS

The following table sets forth the gross amount and related accumulated amortization of the Group's intangible assets:

	Goodwill *	Trademarks & Tradenames	Customer Relationships	Patents	Other	Total
	$m	$m	$m	$m	$m	$m
Cost						
At 1 January 2014	482.9	110.4	107.8	26.1	12.9	740.1
Additions	12.6	1.3	—	3.6	—	17.5
Exchange differences	(11.1)	(12.3)	(13.0)	(2.1)	(0.9)	(39.4)
Other	—	—	(0.1)	(0.5)	(1.8)	(2.4)
At 1 January 2015	484.4	99.4	94.7	27.1	10.2	715.8
Additions	256.4	54.4	195.2	26.1	0.7	532.8
Exchange differences	(25.9)	(10.5)	(11.2)	(1.5)	(1.9)	(51.0)
Write-off	(0.8)	—	—	—	—	(0.8)
Other	—	—	—	(2.7)	—	(2.7)
At 31 December 2015	714.1	143.3	278.7	49.0	9.0	1,194.1
Accumulated amortization						
At 1 January 2014	—	36.8	38.1	23.5	12.9	111.3
Charge for the year	—	3.9	3.9	1.7	—	9.5
Exchange differences	—	(4.7)	(4.9)	(1.9)	(0.9)	(12.4)
Other		—	(0.1)	(0.5)	(1.8)	(2.4)
At 1 January 2015	—	36.0	37.0	22.8	10.2	106.0
Charge for the year	—	3.3	6.7	1.7	0.2	11.9
Exchange differences	—	(4.0)	(4.0)	(1.3)	(0.8)	(10.1)
Other	—	—	0.5	(0.1)	(0.6)	(0.2)
At 31 December 2015	—	35.3	40.2	23.1	9.0	107.6
Net book amount						
At 31 December 2014	484.4	63.4	57.7	4.3	—	609.8
At 31 December 2015	714.1	108.0	238.5	25.9	—	1,086.5

* Goodwill of $482.9 million as at 1 January 2014 is presented net of cumulative impairment charges of $485.5 million as at that date, see below for further details.

The Group amortizes intangible assets with finite useful lives on a straight-line basis over their estimated economic lives in accordance with GAAP. Indefinite-lived intangible assets are not subject to amortization, but instead, are tested for impairment at least annually (more frequently if certain indicators are present).

Intangible asset (excluding Goodwill) amortization expense for 2015 and 2014 was $11.9 million and $9.5 million, respectively. Future estimated amortization expense on existing intangible assets in each of the next five years amounts to approximately $19.0 million for 2016, $18.9 million for 2017, $18.9 million for 2018, $18.9 million for 2019, and $18.9 million for 2020.

In accordance with the Group's indefinite-lived intangible asset impairment testing policy, the Group performed its annual impairment test in the fourth quarter of each year. In each year, the Group determined the fair value of all indefinite-lived intangible assets (excluding Goodwill) exceeded their respective carrying values. Therefore, no impairment charges were recorded during 2015 and 2014.

The Group records as goodwill the excess of the purchase price over the fair value of the net assets acquired. Once the final valuation has been performed for each acquisition, adjustments may be recorded. The changes in the carrying amount of Goodwill are as follows:

In millions ($)	Americas	EMEIA	Asia Pacific	Total
31 December 2014 (net)	364.8	54.4	65.2	484.4
Acquisitions	9.2	219.3	27.9	256.4
Write-off	(0.8)	—	—	(0.8)
Currency translation	(0.4)	(18.9)	(6.6)	(25.9)
31 December 2015 (net)	372.8	254.8	86.5	714.1

Accumulated impairment on Goodwill consists of charges of $137.6 million (EMEIA), $341.0 million (EMEIA) and $6.9 million (Asia Pacific) recorded in 2013, 2008 and 2007, respectively, as a result of the Group's impairment testing. During the third quarter of 2013 the Group performed an interim impairment test on goodwill of its EMEIA reporting unit. The results of the third quarter 2013 interim impairment test indicated that the estimated fair value of the EMEIA reporting unit was less than its carrying value; consequently, the Group completed the second step of the interim impairment test, which resulted in a $137.6 million non-cash pre-tax goodwill impairment charge.

As discussed in Note 12 - Divestitures and Discontinued Operations, in 2015 the assets of Bocom within the Asia Pacific segment were reclassified to assets held for sale within the 31 December 2014 Consolidated Balance Sheet. Goodwill allocated to this business was $21.6 million at 31 December 2014. In conjunction with determining the fair value of the assets held for sale, the Group determined that the goodwill assigned to this business was impaired. As a result, approximately $21.0 million of the $78.1 million pre-tax charge related to the divestiture recorded in 2015 related to the write-off of goodwill.

The estimated fair values for each of the Group's reporting units exceeded their carrying values by more than 10% for the 2015 goodwill impairment test.

17. TANGIBLE ASSETS

At 31 December the major classes of tangible assets were as follows:

	Land and Buildings	Machinery and Equipment	Vehicles	Fixtures and Fittings	Software	Construction In Progress	Total
	$m	$m	$m	$m	$m	$m	$m
Cost or valuation							
At 1 January 2014	141.6	287.1	0.8	39.2	82.0	11.7	562.4
Additions	2.8	20.5	—	2.7	16.7	45.3	88.0
Transfers	(0.3)	1.0	—	0.6	—	(35.5)	(34.2)
Exchange differences	(7.2)	(10.4)	—	(2.0)	(1.5)	(0.5)	(21.6)
Disposals	(5.8)	(6.4)	(0.1)	(2.2)	—	—	(14.5)
Other	—	0.1	—	—	(0.4)	—	(0.3)
At 1 January 2015	131.1	291.9	0.7	38.3	96.8	21.0	579.8
Additions	16.9	22.6	0.6	3.1	7.6	31.8	82.6
Transfers	0.1	0.6	—	—	—	(18.3)	(17.6)
Exchange differences	(7.3)	(10.5)	(0.1)	(1.9)	(1.3)	(0.4)	(21.5)
Disposals	(0.4)	(4.1)	(0.3)	(0.8)	(1.2)	—	(6.8)
At 31 December 2015	140.4	300.5	0.9	38.7	101.9	34.1	616.5
Accumulated depreciation							
At 1 January 2014	71.2	220.3	0.6	35.5	36.4	—	364.0
Charge for the year	4.5	15.8	—	1.4	12.8	—	34.5
Transfers	(0.4)	1.2	—	0.6	—	—	1.4
Exchange differences	(2.9)	(8.3)	—	(2.0)	(1.3)	—	(14.5)
Disposals	(2.5)	(7.8)	(0.1)	(2.0)	—	—	(12.4)
Other	—	—	—	—	(0.4)	—	(0.4)
At 1 January 2015	69.9	221.2	0.5	33.5	47.5	—	372.6
Charge for the year	4.3	16.6	0.3	1.6	13.6	—	36.4
Transfers	0.1	(0.1)	—	—	—	—	—
Exchange differences	(2.9)	(8.2)	—	(1.6)	(1.0)	—	(13.7)
Disposals	—	(3.7)	(0.3)	(0.9)	(0.7)	—	(5.6)
Other	0.2	0.9	—	0.1	0.8	—	2.0
At 31 December 2015	71.6	226.7	0.5	32.7	60.2	—	391.7
Net book amount							
At 31 December 2014	61.2	70.7	0.2	4.8	49.3	21.0	207.2
At 31 December 2015	68.8	73.8	0.4	6.0	41.7	34.1	224.8

During the financial year, tangible fixed assets with a carrying amount of $1.2 million were disposed of. The assets had a cost of $6.8 million and accumulated depreciation of $5.6 million. The loss on the disposal of these tangible fixed assets was $0.9 million (2014: $0.1 million).

18. STOCK

At 31 December the major classes of stock were as follows:

	2015 $m	2014 $m
Raw materials and consumables	58.9	52.7
Work in progress	30.0	26.0
Finished goods and goods for resale	115.2	90.6
	204.1	169.3

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. The estimated replacement cost of stocks did not differ significantly from the figures shown above.

19. DEBTORS

	2015 $m	2014 $m
Amounts falling due within one year:		
Trade debtors	259.0	240.7
Less: Provision for impairment of receivables	(3.8)	(3.2)
Less: Reserve for customer claims	(24.5)	(23.5)
Trade debtors - net	230.7	214.0
Trade notes receivable	2.3	1.8
Other debtors	70.4	14.7
Prepayments and accrued income	17.4	22.8
Income tax receivables	10.5	7.7
Deferred tax asset	—	25.0
At 31 December	331.3	286.0

20. CASH AT BANK AND IN HAND

	2015 $m	2014 $m
Cash at bank and in hand	199.7	290.5
At 31 December	199.7	290.5

21. DEBTORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 $m	2014 $m
Other debtors	80.9	57.1
Pension assets (Note 26)	—	11.4
Deferred tax asset	91.9	72.3
Debt issue costs	29.2	24.7
At 31 December	202.0	165.5

22. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 $m	2014 $m
Debt (Note 24)	65.6	49.6
Payments received on account	1.4	1.4
Trade creditors	175.1	175.4
Other creditors	79.3	66.9
Irish dividend withholding tax	0.5	0.6
Income tax	9.1	31.2
Other taxes	4.4	5.6
Value added tax	3.8	1.1
Salary/Payroll taxes	6.7	5.2
Irish PAYE/PRSI	0.1	0.2
Currency derivatives payable (Note 25)	4.5	13.9
Excise Duty	8.9	8.4
Accruals	53.3	41.5
Liabilities held for sale (Note 12)	—	103.5
At 31 December	412.7	504.5

Other creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade creditors principally comprise amounts outstanding for day to day purchases and ongoing costs and are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms. The directors consider that the carrying amount of trade creditors approximates to their fair value. The directors consider that the carrying amount of trade creditors approximates their fair value.

23. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 $m	2014 $m
Long term debt (Note 24)	1,479.8	1,215.0
Interest rate swaps (Note 25)	1.2	0.9
At 31 December	1,481.0	1,215.9

24. DEBT AND CREDIT FACILITIES

At 31 December long-term debt and other borrowings consisted of the following:

	2015 $m	2014 $m
Term Loan A Facility	926.7	962.8
5.75% Senior notes due 2021	300.0	300.0
5.875% Senior notes due 2023	300.0	—
Other debt, including capital leases, maturing in various amounts through 2016	18.7	1.8
Total debt	1,545.4	1,264.6
Less current portion of long term debt	65.6	49.6
At 31 December	1,479.8	1,215.0

Senior Secured Credit Facilities

In September 2015, the Group entered into a Second Amendment and Restatement Agreement (the "Second Amendment and Restatement Agreement") to amend and restate its existing Amended and Restated Credit Agreement (the "Credit Agreement"), dated as of 26 November 2013 and amended and restated on 15 October 2014. The Second Amended and Restated Agreement provides for (i) $1.438 billion of Senior Secured Facilities, consisting of a $938.4 million Term Loan Facility due in 2020 (the "Term Loan A Facility") and (ii) a $500.0 million Senior Secured Revolving Credit Facility (the "Revolver") maturing in 2020. The Group refers to these credit facilities as its "Senior Secured Credit Facilities."

The terms of the Second Amendment and Restatement Agreement are substantially consistent with the terms of the previous agreements, subject to certain changes, including:(i) a reduction of the applicable margin for LIBOR rate borrowings to range from 1.375% to 1.875% (down from 1.50% to 2.00%) and the applicable margin for base rate borrowings to range from 0.375% to 0.875% (down from 0.50% to 1.00%), in each case depending on the corporate credit or family rating, (ii) an extension of the maturity date of the Revolver and the Term Loan Facility from 15 October 2019 to 15 October 2020; and (iii) changes to certain other terms of the Credit Agreement, including the restrictive covenants, to provide the Group with additional flexibility.

The Group repaid $36.1 million of principal on its Term Loan A Facility during the year ended December 31, 2015. Borrowings outstanding under the Term Loan A Facility were $926.7 million on 31 December 2015. Allegion plc remains the primary borrower under the Second Amended and Restated Credit Agreement.

Term Facilities. The Term Loan A Facility amortizes in quarterly installments at the following rates per year: 5% in 2016; 5% in 2017; 5% in 2018 and 10% in each year thereafter, with the final installment due on 15 October 2020.

Revolver. The five-year Senior Secured Revolving Credit Facility permits borrowings of up to $500.0 million. The Revolver is comprised of two tranches: a $400 million tranche available in U.S. Dollars and a multi-currency tranche capped at $100 million. The Revolver also includes $100.0 million available for the issuance of letters of credit, however outstanding letters of credit reduce availability under the Revolver. The Revolver matures and the commitments thereunder will terminate on 15 October 2020. The Group pays certain fees with respect to the Revolver, including a commitment fee on the undrawn portion of the Revolver of 0.25% per year.

During August 2015, the Group borrowed $400.0 million under the Revolver in order to fund a portion of the acquisitions of SimonsVoss and AXA. The Group used the proceeds of the 2023 Senior Notes offering, discussed below, and cash on hand to repay the $400.0 million outstanding between September and December. At 31 December 2015, the Group did not have any borrowings outstanding under the Revolver and had $26.6 million of letters of credit outstanding.

Guarantees and Collateral. The indebtedness, obligations and liabilities under the Senior Secured Credit Facilities are unconditionally guaranteed jointly and severally on a senior secured basis by certain of Allegion plc's subsidiaries, and will be secured, subject to permitted liens and other exceptions and exclusions, by a first-priority lien on substantially all tangible and intangible assets of the borrowers and each U.S. guarantor (including (i) a perfected pledge of all of the capital stock of the borrower and each direct, wholly-owned material subsidiary held by the borrowers or any guarantor (subject to certain limitations with respect to non U.S. subsidiaries) and (ii) perfected security interests in, and mortgages on, accounts, stock, equipment, general intangibles, commercial tort claims, investment property, intellectual property, material fee-owned real property, letter-of-credit rights, intercompany notes and proceeds of the foregoing, except for certain excluded assets.

Mandatory Prepayments. In accordance with the Senior Secured Credit Facility, net cash proceeds of non-recourse asset sales and proceeds received from certain additional indebtedness will require prepayment of the Term Loan with proceeds received. In addition, starting with the year ended 31 December 2016 the Group may be required to apply between 0%-50% of its annual excess cash flow (as defined in the Senior Secured Credit Facility) to the prepayment of the Senior Secured Credit Facility. However, this percentage reduces to certain levels and eventually to zero upon achievement of certain leverage ratios.

Voluntary Prepayments. The Group may voluntarily prepay the outstanding Term Facility in whole or in part at any time without premium or penalty. Optional prepayments of the Term Facility will be applied to the remaining installments at the direction of the borrower.

Commitments under the Revolver may be reduced in whole or in part at any time without premium or penalty.

Covenants. The Senior Secured Credit Facility contains certain customary covenants that, among other things, limit or restrict (subject to certain exceptions) the Group's ability to incur certain indebtedness, grant certain liens, make certain investments, declare or pay certain dividends or redeem or repurchase capital stock.

In addition, the Senior Secured Credit Facility contains certain financial covenants, which include a maximum leverage ratio and an interest expense coverage ratio. As of 31 December 2015, the Group is required to comply with a maximum leverage ratio of 4.00 to 1.00 based on a ratio of total consolidated indebtedness, net of unrestricted cash up to $150 million, to consolidated EBITDA. Additionally, the Group is required to have a minimum interest expense coverage ratio of 4.00 to 1.00 based on a ratio of consolidated EBITDA to consolidated interest expense, net of interest income. As of 31 December 2015 the Group was in compliance with all of these covenants.

Interest Rates and Fees. Outstanding borrowings under the Senior Secured Credit Facilities accrue interest, at the option of the borrower, at a per annum rate of (i) LIBOR plus the applicable margin or (ii) a base rate plus the applicable margin. As of 31 December 2015, the Group elected to borrow utilizing LIBOR. The applicable margin for borrowings under the Revolver and the Term Loan A Facility is subject to a credit facility rating-based pricing grid with the LIBOR ranging from 1.375% to 1.875%. The margin for Term Loan A Facility borrowings was 1.625% as of 31 December 2015.

To manage the Group's exposure to fluctuations in LIBOR rates, the Group has interest rate swaps for $300.0 million of the Group's variable rate Term Loan Facility. Swaps with notional amounts totaling $275.0 million were effective in January 2015 and expire in September 2017 and swaps with notional amounts totaling $25.0 million were effective in January 2015 and expire in December 2016.

Senior Notes

In October 2013, Allegion US Holding Company Inc., the Group's wholly-owned subsidiary ("Allegion US"), issued $300 million of 5.75% senior notes due 2021 (the "2021 Senior Notes"). The 2021 Senior Notes have been registered under the Securities Act of 1933, as amended. The 2021 Senior Notes accrue interest at the rate of 5.75% per annum, payable semi-annually on 1 April and 1 October of each year. The 2021 Senior Notes mature on 1 October 2021. The terms of the indenture governing the 2021 Senior Notes (the “Indenture”) provide that, among other things, the 2021 Senior Notes rank equally in right of payment to all of Allegion US's and Allegion plc’s existing and future senior unsecured indebtedness and effectively junior to all of the issuer’s and the guarantors’ existing and future secured indebtedness (including indebtedness with respect to the Senior Secured Credit Facility) to the extent of the value of the assets securing such indebtedness. The 2021 Senior Notes are structurally subordinated to all of the existing and future liabilities of the Group's subsidiaries that do not guarantee the 2021 Senior Notes. The net proceeds of this indebtedness were distributed to Ingersoll Rand in connection with the Spin-off.

In September 2015, Allegion plc issued $300.0 million of 5.875% senior notes due 2023 (the "2023 Senior Notes"). The 2023 Senior Notes have been registered under the Securities Act of 1933, as amended. The 2023 Senior Notes accrue interest at the rate of 5.875% per annum, payable semi-annually on 15 March and 15 September of each year, beginning 15 March, 2016. The 2023 Senior Notes mature on 15 September, 2023. The 2023 Senior Notes are pursuant to an indenture (the “Second Indenture”), which provides that, among other things, the 2023 Senior Notes rank equally in right of payment to all of Allegion plc’s existing and future senior unsecured indebtedness and effectively junior to all of Allegion plc's and the guarantors’ existing and future secured indebtedness (including indebtedness with respect to the Senior Secured Credit Facility) to the extent of the value of the assets securing such indebtedness. The 2023 Senior Notes are structurally subordinated to all of the existing and future liabilities of Allegion plc’s subsidiaries that do not guarantee the 2023 Senior Notes. The Group used the net proceeds of the offering to repay approximately $300.0 million under Allegion’s revolving credit facility.

Guarantees. Allegion plc and certain of its subsidiaries jointly and severally guarantee Allegion US’s obligations under the 2021 Senior Notes on a senior unsecured basis. Allegion US and certain of its subsidiaries jointly and severally guarantee Allegion plc's obligations under the 2023 Senior Notes.

Covenants. The 2021 Senior Notes and the 2023 Senior Notes contain certain customary covenants that, among other things, limit or restrict (subject to certain exceptions) the Group's ability to incur certain indebtedness, grant certain liens, make certain investments, declare or pay certain dividends or redeem or repurchase capital stock.

At 31 December 2015, future retirements of the amounts outstanding under the Senior Secured Credit Facilities, the 2021 Senior Notes and the 2023 Senior Notes are as follows:

	$m
2016	46.9
2017	46.9
2018	46.9
2019	93.9
2020	692.1
Thereafter	600.0
Total	1,526.7

The weighted-average interest rate for borrowings was 2.4% under the Term Loan Facility (including the effect of interest rate swaps) at 31 December 2015, 5.75% under the 2021 Senior Notes and 5.875% under the 2023 Senior Notes. Cash paid for interest for the year ended 31 December 2015 was approximately $39.0 million.

25. FINANCIAL INSTRUMENTS

In the normal course of business, the Group uses various financial instruments, including derivative instruments, to manage the risks associated with currency rate exposures. These financial instruments are not used for trading or speculative purposes.

On the date a derivative contract is entered into, the Group designates the derivative instrument as a cash flow hedge of a forecasted transaction, a cash flow hedge of a recognized asset or liability, or as an undesignated derivative. The Group formally documents its hedge relationships, including identification of the derivative instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivative instruments that are designated as hedges to specific assets, liabilities or forecasted transactions.

The fair market value of derivative instruments is determined through market-based valuations and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded.

The Group assesses at inception and at least quarterly thereafter, whether the derivatives used in cash flow hedging transactions are highly effective in offsetting the changes in the cash flows of the hedged item. To the extent the derivative is deemed to be a highly effective hedge, the fair market value changes of the instrument are recorded to other reserves.

Any ineffective portion of a derivative instrument's change in fair value is recorded in the profit and loss account in the period of change. If the hedging relationship ceases to be highly effective, or it becomes probable that a forecasted transaction is no longer expected to occur, the hedging relationship will be undesignated and any future gains and losses on the derivative instrument will be recorded in the profit and loss account.

Currency Hedging Instruments

The gross notional amount of the Group's currency derivatives were $269.4 million and $494.5 million at 31 December 2015 and 2014. At 31 December 2015 and 2014, gains of $1.7 million and $1.6 million, net of tax, were included in other reserves related to the fair value of the Group's currency derivatives designated as accounting hedges. The amount expected to be reclassified into the profit and loss account over the next twelve months is a gain of $1.7 million. The actual amounts that will be reclassified to the profit and loss account may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Group's currency derivatives not designated as hedges are recorded in the profit and loss account as changes in fair value occur. At 31 December 2015, the maximum term of the Group's currency derivatives was less than one year.

Interest Rate Swaps

The Group has forward starting interest rate swaps to fix interest rate paid during the contract period for $300.0 million of the Group's variable rate Term Loan Facility. Swaps with notional amounts totaling $275.0 million expire in September 2017 and swaps with notional amounts totaling $25.0 million expire in December 2016. These interest rate swaps met the criteria to be accounted for as cash flow hedges of variable rate interest payments. Consequently, the changes in fair value of the interest rate swaps were recognized in other reserves. At 31 December 2015, $1.2 million of losses were recorded in other reserves related to these interest rate swaps. The amount expected to be reclassified into interest expense over the next twelve months is a loss of $0.1 million. The actual amounts that will be reclassified to interest expense may vary from this amount as a result of changes in market conditions.

The fair values of derivative instruments included within the consolidated balance sheet as of 31 December were as follows:

	Asset derivatives		Liability derivatives	
In millions ($)	2015	2014	2015	2014
Derivatives designated as hedges:				
Currency derivatives	1.8	2.1	—	—
Interest rate swaps	—	—	1.2	0.9
Derivatives not designated as hedges:				
Currency derivatives	1.0	2.2	4.5	13.9
Total derivatives	2.8	4.3	5.7	14.8

Asset and liability derivatives included in the table above are recorded within debtors and creditors respectively.

The amounts associated with derivatives designated as hedges affecting the consolidated profit and loss account and other reserves for the years ended 31 December were as follows:

	Amount of gain (loss) recognized in other reserves		Location of gain (loss) reclassified from other reserves and recognized into earnings	Amount of gain reclassified from other reserves and recognized into earnings	
In millions ($)	2015	2014		2015	2014
Currency derivatives	6.6	1.6	Cost of sales	6.5	2.5
Interest rate swaps	(0.3)	(0.9)	Interest expense	—	—
Total	6.3	0.7		6.5	2.5

Concentration of Credit Risk

The counterparties to the Group's forward contracts and swaps consist of a number of investment grade major international financial institutions. The Group could be exposed to losses in the event of nonperformance by the counterparties. However, the credit ratings and the concentration of risk in these financial institutions are monitored on a continuous basis and present no significant credit risk to the Group.

26. PENSIONS AND POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The Group sponsors several U.S. defined benefit and defined contribution plans covering substantially all of our U.S. employees. Additionally, the Group has non-U.S. defined benefit and defined contribution plans covering eligible non-U.S. employees. Postretirement benefits, other than pensions, provide healthcare benefits, and in some instances, life insurance benefits for certain eligible employees.

Pension Plans

The noncontributory defined benefit pension plans covering non-collectively bargained U.S. employees provide benefits on an average pay formula while most plans for collectively bargained U.S. employees provide benefits on a flat dollar benefit formula. The non-U.S. pension plans generally provide benefits based on earnings and years of service. The Group also maintains additional other supplemental plans for officers and other key employees.

The following table details information regarding the Group's pension plans at 31 December:

	U.S.		NON-U.S.	
In millions ($)	**2015**	**2014**	**2015**	**2014**
Change in benefit obligations:				
Benefit obligation at beginning of year	282.9	231.3	388.4	397.9
Service cost	9.5	7.3	3.3	4.6
Interest cost	11.0	11.5	13.7	17.3
Employee contributions	—	—	0.3	0.4
Amendments	—	—	0.1	(0.3)
Actuarial (gains) losses	(6.1)	60.1 (a)	6.6	12.3
Benefits paid	(14.3)	(25.2)	(15.0)	(14.6)
Currency translation	—	—	(22.2)	(26.0)
Curtailments and settlements	—	—	(1.2)	(1.7)
Other, including expenses paid	(2.3)	(2.1)	(2.3)	(1.5)
Benefit obligation at end of year	280.7	282.9	371.7	388.4
Change in plan assets:				
Fair value at beginning of year	213.2	208.5	372.0	337.6
Actual (loss) return on assets	(6.3)	31.9	(0.9)	56.4
Company contributions	—	—	6.5	17.5
Employee contributions	—	—	0.3	0.4
Benefits paid	(11.9)	(25.1)	(15.0)	(14.6)
Currency translation	—	—	(19.0)	(23.3)
Settlements	—	—	(1.2)	(0.5)
Other, including expenses paid	(2.3)	(2.1)	(2.3)	(1.5)
Fair value of assets end of year	192.7	213.2	340.4	372.0
Funded status:				
Plan assets less than the benefit obligations	(88.0)	(69.7)	(31.3)	(16.4)
Amounts included in the balance sheet:				
Other noncurrent assets	—	—	—	11.4
Accrued compensation and benefits	—	(2.3)	(1.0)	(1.2)
Postemployment and other benefit liabilities	(88.0)	(67.4)	(30.3)	(26.6)
Net amount recognized	(88.0)	(69.7)	(31.3)	(16.4)

(a) During 2014, the Society of Actuaries released a new mortality table, referred to as RP-2014, which is believed to better reflect mortality improvements. The Group used the RP-2014 mortality table to measure its U.S. pension obligation as of 31 December 2014. The impact of the new mortality tables as well as the decline in discount rates from 31 December 2013 to 31 December 2014 is included in actuarial losses.

It is the Group's objective to contribute to the pension plans to ensure adequate funds are available in the plans to make benefit payments to plan participants and beneficiaries when required. However, certain plans are not funded due to either legal, accounting, or tax requirements in certain jurisdictions. As of 31 December 2015, approximately 5% of our projected benefit obligation relates to plans that are not funded of which the majority are Non-U.S. plans.

The pretax amounts recognized in other reserves were as follows:

In millions ($)	U.S.		
	Prior service cost	**Net actuarial losses**	**Total**
31 December 2014	(3.5)	(82.9)	(86.4)
Current year changes recorded to other reserves	—	(11.8)	(11.8)
Amortization reclassified to earnings	0.7	4.9	5.6
Settlements/curtailments reclassified to earnings	—	0.9	0.9
31 December 2015	(2.8)	(88.9)	(91.7)

In millions ($)	NON-U.S.		
	Prior service cost	**Net actuarial losses**	**Total**
31 December 2014	0.1	(73.5)	(73.4)
Current year changes recorded to other reserves	(0.1)	(25.3)	(25.4)
Amortization reclassified to earnings	—	1.4	1.4
Settlements/curtailments reclassified to earnings	—	0.2	0.2
Currency translation and other	—	5.0	5.0
31 December 2015	—	(92.2)	(92.2)

Weighted-average assumptions used:

Benefit obligations at 31 December:	**2015**	**2014**
Discount rate:		
U.S. plans	4.3%	4.0%
Non-U.S. plans	3.6%	3.8%
Rate of compensation increase:		
U.S. plans	3.5%	3.5%
Non-U.S. plans	2.9%	3.0%

The accumulated benefit obligation for all U.S. defined benefit pension plans was $265.5 million and $264.3 million at 31 December 2015 and 2014. The accumulated benefit obligation for all Non-U.S. defined benefit pension plans was $363.8 million and $380.0 million at 31 December 2015 and 2014.

Effective 31 December 2015, the Group adopted a full yield-curve approach in the estimation of benefit obligations and the service and interest cost components of net periodic benefit costs, which applies individual spot rates to each year's cash flows to determine the year end benefit obligation. Historically, the Group estimated benefit obligations and the service and interest cost components by applying a single weighted average discount rate, rounded to the nearest 25 basis points, derived from this yield curve. This change is being made to better align the projected benefit cash flows and the corresponding yield curve spot rates to provide a better estimate of service and interest cost components of net periodic benefit costs. This change will not have a material impact on 2016 pension expense.

Information regarding pension plans with accumulated benefit obligations more than plan assets were:

In millions ($)	U.S.		NON-U.S.	
	2015	**2014**	**2015**	**2014**
Projected benefit obligation	280.7	282.9	371.7	35.4
Accumulated benefit obligation	265.5	264.3	363.8	30.4
Fair value of plan assets	192.7	213.2	340.4	7.6

Future pension benefit payments are expected to be paid as follows:

In millions ($)	U.S.	NON-U.S.
2016	13.6	14.9
2017	14.6	15.2
2018	15.5	15.7
2019	15.6	16.5
2020	21.3	17.3
2021 - 2025	104.5	94.2

The components of the Group's net periodic pension benefit costs for the years ended 31 December include the following:

	U.S.	
In millions ($)	2015	2014
Service cost	9.5	7.3
Interest cost	11.0	11.5
Expected return on plan assets	(11.2)	(11.2)
Net amortization of:		
Prior service costs	0.7	0.7
Plan net actuarial losses	4.9	2.3
Net periodic pension benefit cost	14.9	10.6
Net curtailment and settlement losses	0.9	—
Net periodic pension benefit cost after net curtailment and settlement losses	15.8	10.6

	NON-U.S.	
In millions ($)	2015	2014
Service cost	3.3	4.6
Interest cost	13.7	17.3
Expected return on plan assets	(17.8)	(17.3)
Net amortization of:		
Prior service costs	—	0.1
Plan net actuarial losses	1.4	2.8
Net periodic pension benefit cost	0.6	7.5
Net curtailment and settlement (gains) losses	0.2	—
Net periodic pension benefit cost after net curtailment and settlement losses	0.8	7.5

Pension expense for 2016 is projected to be approximately $17.6 million, utilizing the assumptions for calculating the pension benefit obligations at the end of 2015. The amounts expected to be recognized in net periodic pension cost during the year ended 31 December 2016 for prior service cost and plan net actuarial losses are $0.7 million and $7.6 million, respectively.

Weighted-average assumptions used:

Net periodic pension cost for the year ended 31 December	2015	2014
Discount rate:		
U.S. plans	4.0%	5.0%
Non-U.S. plans	3.7%	4.5%
Rate of compensation increase:		
U.S. plans	3.5%	3.5%
Non-U.S. plans	2.9%	4.8%
Expected return on plan assets:		
U.S. plans	5.5%	5.5%
Non-U.S. plans	5.0%	5.3%

The expected long-term rate of return on plan assets reflects the average rate of returns expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The expected long-term rate of return on plan assets is based on what is achievable given the plan's investment policy, the types of assets held and target asset allocations. The expected long-term rate of return is determined as of the measurement date. Each plan is reviewed and its historical returns and target asset allocations to determine the appropriate expected long-term rate of return on plan assets to be used.

The overall objective in managing defined benefit plan assets is to ensure that all present and future benefit obligations are met as they come due. The goal is to achieve this while trying to mitigate volatility in plan funded status, contribution, and expense by better matching the characteristics of the plan assets to that of the plan liabilities. Each plan's funded status and asset allocation is monitored regularly in addition to investment manager performance.

Effective 31 December 2015, the Group adopted new accounting guidance for investments that calculate net asset value per share (or its equivalent). As a result of the adoption of this new guidance, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not required to be classified in the fair value hierarchy. At 31 December 2015 and 2014, the net asset values of these investments, were $56.5 million and $52.9 million, which had been previously classified in level 2 at 31 December 2014. These investments are included within Assets valued using net asset value per share in the fair value tables below. The guidance was required to be applied retrospectively, and accordingly, prior period amounts have been revised to conform with the current period presentation.

The fair values of the Group's U.S. pension plan assets at 31 December 2015 by asset category are as follows:

	Fair value measurements			Total
In millions ($)	Level 1	Level 2	Level 3	fair value
Cash and cash equivalents	—	2.7	—	2.7
Fixed income investments:				
U.S. government and agency obligations	—	49.2	—	49.2
Corporate and non-U.S. bonds(a)	—	82.6	—	82.6
	—	131.8	—	131.8
Total assets at fair value	—	134.5	—	134.5
Receivables and payables, net				1.7
Assets valued using net asset value per share				56.5
Net assets available for benefits				192.7

(a) This includes state and municipal bonds.

The fair values of the Group's U.S. pension plan assets at 31 December 2014 by asset category are as follows:

In millions ($)	Fair value measurements Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	—	3.1	—	3.1
Fixed income investments:				
U.S. government and agency obligations	—	69.7	—	69.7
Corporate and non-U.S. bonds[(a)]	—	85.6	—	85.6
	—	155.3	—	155.3
Total assets at fair value	—	158.4	—	158.4
Receivables and payables, net				1.9
Assets valued using net asset value per share				52.9
Net assets available for benefits				213.2

(a) This includes state and municipal bonds.

The Group determines the fair value of its US plan assets using the following methodologies:

- *Cash, cash equivalents and short term investments* – The investments are valued at the closing price or amount held on deposit by the custodian bank or at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. As these investments are not traded on active markets, these investments are classified as Level 2.
- *U.S. government and agency obligations* – Quoted market prices are not available for these securities. Fair values are estimated using pricing models and/or quoted prices of securities with similar characteristics or discounted cash flows. Such securities are classified as Level 2.
- *Corporate and Non-US bonds* – Quoted market prices are not available for these securities. Fair values are estimated by using pricing models and/or quoted prices of securities with similar characteristics or discounted cash flows. Such securities are classified as Level 2.

The fair values of the Group's Non-U.S. pension plan assets at 31 December 2015 by asset category are as follows:

In millions ($)	Fair value measurements Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	20.2	—	—	20.2
Equity mutual funds	—	121.6	—	121.6
Corporate and non-U.S. bonds	—	130.7	—	130.7
Real estate(a)	—	12.3	0.8	13.1
Other(b)	—	52.9	1.9	54.8
Total assets at fair value	20.2	317.5	2.7	340.4

(a) This includes several private equity funds that invest in real estate. It includes both direct investment funds and funds-of-funds.
(b) This primarily includes insurance contracts.

The fair values of the Group's Non-U.S. pension plan assets at 31 December 2014 by asset category are as follows:

	Fair value measurements			
In millions ($)	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	8.8	—	—	8.8
Equity mutual funds	—	118.0	—	118.0
Corporate and non-U.S. bonds	—	164.3	—	164.3
Real estate(a)	—	11.8	0.8	12.6
Other(b)	—	65.8	2.5	68.3
Total assets at fair value	8.8	359.9	3.3	372.0

(a) Includes several private equity funds that invest in real estate. It includes both direct investment funds and funds-of-funds.

(b) Primarily includes insurance contracts.

Cash equivalents are valued using a market approach with inputs including quoted market prices for either identical or similar instruments. Fixed income securities are valued through a market approach with inputs including, but not limited to, benchmark yields, reported trades, broker quotes and issuer spreads. Equity funds are valued at their net asset value. Net asset values are calculated by the investment manager or sponsor of the fund. Private real estate fund values are reported by the fund manager and are based on valuation or appraisal of the underlying investments.

The Group did not make any required or discretionary contributions to the U.S. pension plans in 2015 or 2014. The Group made required and discretionary contributions to its Non-U.S. pension plans of $6.5 million in 2015 and $17.5 million in 2014. The Group currently projects that approximately $10.8 million will be contributed to its U.S and Non-U.S. plans in 2016. The Group's policy allows it to fund an amount, which could be in excess of or less than the pension cost expensed, subject to the limitations imposed by current tax regulations. The Group anticipates funding the plans in 2016 in accordance with contributions required by funding regulations or the laws of each jurisdiction.

Most of the Group's U.S. employees are covered by defined contribution plans. Employer contributions are determined based on criteria specific to the individual plans and amounted to approximately $12.1 million and $10.2 million in 2015 and 2014. The Group's contributions relating to non-U.S. defined contribution plans and other non-U.S. benefit plans were $6.2 million and $7.0 million in 2015 and 2014.

Deferred Compensation Plan

The Group maintains an Executive Deferred Compensation Plan ("EDCP"), which is an unfunded, nonqualified plan that permits certain employees to defer receipt of up to 50% of their annual salary and up to 100% of their annual bonus awards, performance share plan awards, and restricted stock units received upon commencement of employment. As of 31 December 2015 the deferred compensation liability balance was $15.5 million.

Postretirement Benefits Other Than Pensions

The Group sponsors a postretirement plan that provides for healthcare benefits, and in some instances, life insurance benefits that cover certain eligible employees. The Group funds postretirement benefit obligations principally on a pay-as-you-go basis. Generally, postretirement health benefits are contributory with contributions adjusted annually. Life insurance plans for retirees are primarily noncontributory.

The following table details information regarding the Group's postretirement plans at 31 December:

In millions ($)	2015	2014
Change in benefit obligations:		
Benefit obligation at beginning of year	13.6	14.2
Service cost	0.1	0.1
Interest cost	0.5	0.5
Actuarial gains	(0.3)	(0.2)
Benefits paid, net of Medicare Part D subsidy	(1.0)	(1.0)
Benefit obligations at end of year	12.9	13.6
Funded status:		
Plan assets less than benefit obligations	(12.9)	(13.6)
Amounts included in the balance sheet:		
Accrued compensation and benefits	(1.1)	(1.0)
Postemployment and other benefit liabilities	(11.8)	(12.6)
Total	(12.9)	(13.6)

The pretax amounts recognized in other reserves were as follows:

In millions ($)	Prior service gains	Net actuarial losses	Total
31 December 2014	5.5	(0.7)	4.8
Current year changes recorded to other reserves	—	(0.5)	(0.5)
Amortization reclassified to earnings	(1.6)	—	(1.6)
Balance at 31 December 2015	3.9	(1.2)	2.7

The components of net periodic postretirement benefit cost (income) for the years ended 31 December were as follows:

In millions ($)	2015	2014
Service cost	0.1	0.1
Interest cost	0.5	0.5
Net amortization of:		
Prior service gains	(1.6)	(1.6)
Net actuarial losses	—	—
Net periodic postretirement benefit (income)	(1.0)	(1.0)

Postretirement income for 2016 is projected to be $1.1 million. Amounts expected to be recognized in net periodic postretirement benefits cost in 2016 for prior service gains is $1.6 million and no plan net actuarial losses are expected.

Assumptions:	2015	2014
Weighted-average discount rate assumption to determine:		
Benefit obligations at 31 December	3.5%	3.5%
Net periodic benefit cost	3.5%	4.0%
Assumed health-care cost trend rates at 31 December:		
Current year medical inflation (a)	—%	7.3%
Ultimate inflation rate (a)	—%	5.0%
Year that the rate reaches the ultimate trend rate (a)	n/a	2021

(a) The current year medical inflation rate, ultimate inflation rate and year of ultimate trend rate is no longer applicable as the Group has capped the annual maximum amount it will pay for retiree healthcare costs.

A 1% change in the medical trend rate assumed for postretirement benefits would have no effect on the postretirement benefit obligation as the Group has capped the annual maximum amount it will pay for retiree healthcare costs, therefore any additional costs would be assumed by the retiree.

Benefit payments for postretirement benefits, which are net of expected plan participant contributions and Medicare Part D subsidy, are expected to be paid as follows:

In millions ($)	
2016	1.1
2017	1.2
2018	1.2
2019	1.2
2020	1.2
2021 - 2025	5.3

27. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are based on a framework that utilizes the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy is comprised of three levels that are described below:

- Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 - Unobservable inputs based on little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability based on the best information available under the circumstances. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities measured at fair value at 31 December 2015 are as follows:

	Fair value measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total fair value
	$m	$m	$m	$m
Recurring fair value measurements				
Assets:				
Marketable securities	14.2	—	—	14.2
Foreign currency contracts	—	2.8	—	2.8
Total asset recurring fair value measurements	14.2	2.8	—	17.0
Liabilities:				
Foreign currency contracts	—	4.5	—	4.5
Interest rate swap	—	1.2	—	1.2
Deferred compensation plans	—	15.5	—	15.5
Total liability recurring fair value measurements	—	21.2	—	21.2
Financial instruments not carried at fair value:				
Total debt	—	1,556.6	—	1,556.6
Total financial instruments not carried at fair value	—	1,556.6	—	1,556.6

Assets and liabilities measured at fair value at 31 December 2014 are as follows:

	Fair value measurements			
In millions ($)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Marketable securities	17.9	—	—	17.9
Foreign currency contracts	—	4.3	—	4.3
Total asset recurring fair value measurements	17.9	4.3	—	22.2
Liabilities:				
Foreign currency contracts	—	13.9	—	13.9
Interest rate swap	—	0.9	—	0.9
Deferred compensation plans	—	14.9	—	14.9
Total liability recurring fair value measurements	—	29.7	—	29.7
Financial instruments not carried at fair value:				
Total debt	—	1,279.4	—	1,279.4
Total financial instruments not carried at fair value	—	1,279.4	—	1,279.4

The Group determines the fair value of its financial assets and liabilities using the following methodologies:

- *Marketable securities* - These securities include investments in publicly traded stock of non-U.S. companies held by non-U.S. subsidiaries of the Group. The fair value is obtained for the securities based on observable market prices quoted on public stock exchanges.

- *Foreign currency contracts* – These instruments include foreign currency contracts for non-functional currency balance sheet exposures. The fair value of the foreign currency contracts are determined based on a pricing model that uses spot rates and forward prices from actively quoted currency markets that are readily accessible and observable.

- *Interest rate swaps* – These instruments include forward-starting interest rate swap contracts for $300.0 million of the Group's variable rate debt. The fair value of the derivative instruments are determined based on quoted prices for the Group's swaps, which are not considered an active market.

- *Deferred compensation plans* - These include obligations related to deferred compensation adjusted for market performance. The fair value is obtained based on observable market prices quoted on public exchanges for similar instruments.

- *Debt* – These securities are recorded at cost and include senior notes maturing through 2023. The fair value of the long-term debt instruments is obtained based on observable market prices quoted on public exchanges for similar instruments.

The carrying values of cash and cash equivalents, debtors, creditors and short-term borrowings are a reasonable estimate of their fair value due to the short-term nature of these instruments.

The methodology used by the Group to determine the fair value of its financial assets and liabilities at 31 December 2015 are the same as those used at 31 December 2014. There have been no significant transfers between Level 1 and Level 2 categories.

28. PROVISIONS FOR LIABILITIES

	2015	2014
	$m	$m
Pensions & similar obligations	151.8	130.8
Taxation including deferred taxation	120.0	59.3
Other provisions for liabilities	90.1	86.9
At 31 December	361.9	277.0

The movement on other provisions is as follows:

	Warranty	Environmental	Restructuring	Other	Total
	$m	$m	$m	$m	$m
1 January 2015	9.8	8.8	1.9	66.4	86.9
Arising during the year	7.1	4.4	15.1	1.0	27.6
Utilised in the year	(5.4)	(3.2)	(6.2)	(1.9)	(16.7)
Changes in pre-existing accruals	0.5	—	—	(4.3)	(3.8)
Acquired balance	—	5.6	—	—	5.6
Currency translation	(0.3)	(0.4)	(0.6)	(8.2)	(9.5)
31 December 2015	11.7	15.2	10.2	53.0	90.1
					—
Current	11.7	3.7	10.2	2.3	27.9
Non-current	—	11.5	—	50.7	62.2
31 December 2015	11.7	15.2	10.2	53.0	90.1

Refer to Note 10, Note 13, Note 26 and Note 29 for a detailed description of these provisions.

29. COMMITMENTS AND CONTINGENCIES

The Group is involved in various litigations, claims and administrative proceedings, including those related to environmental and product warranty matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in this note, management believes that any liability which may result from these legal matters would not have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Group.

Environmental Matters

The Group is dedicated to an environmental program to reduce the utilization and generation of hazardous materials during the manufacturing process and to remediate identified environmental concerns. As to the latter, the Group is currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at current and former production facilities.

The Group is sometimes a party to environmental lawsuits and claims and has received notices of potential violations of environmental laws and regulations from the U.S. Environmental Protection Agency and similar state authorities. It has also been identified as a potentially responsible party ("PRP") for cleanup costs associated with off-site waste disposal at federal Superfund and state remediation sites. For all such sites, there are other PRPs and, in most instances, the Group's involvement is minimal.

In estimating its liability, the Group has assumed it will not bear the entire cost of remediation of any site to the exclusion of other PRPs who may be jointly and severally liable. The ability of other PRPs to participate has been taken into account, based on our understanding of the parties' financial condition and probable contributions on a per site basis. Additional lawsuits and claims involving environmental matters are likely to arise from time to time in the future.

The Group incurred $4.4 million and $2.9 million of expenses during the years ended 31 December 2015 and 2014 respectively, for environmental remediation at sites presently or formerly owned or leased by us. Environmental remediation costs are recorded in Costs of sales within the Consolidated profit and loss account. As of 31 December 2015 and 2014, the Group has recorded reserves for environmental matters of $15.2 million and $8.8 million. The increase in the reserve is primarily due to estimated environmental liabilities assumed in the acquisition of AXA. Of the total reserve, $2.8 million (2015) and $2.4 million (2014) relate to remediation of sites previously disposed by the Group. Environmental reserves are classified as provisions for liabilities. The Group's total current environmental reserve at 31 December 2015 and 2014 was $3.7 million and $2.2 million and the remainder is classified as noncurrent. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Warranty Liability

Standard product warranty accruals are recorded at the time of sale and are estimated based upon product warranty terms and historical experience. The Group assesses the adequacy of its liabilities and will make adjustments as necessary based on known or anticipated warranty claims, or as new information becomes available.

The changes in the standard product warranty liability for the year ended 31 December were as follows:

In millions ($)	**2015**	**2014**
Balance at beginning of period	9.8	9.4
Reductions for payments	(5.4)	(4.9)
Accruals for warranties issued during the current period	7.1	6.1
Changes to accruals related to preexisting warranties	0.5	(0.6)
Translation	(0.3)	(0.2)
Balance at end of period	11.7	9.8

Standard product warranty liabilities are classified as provisions for liabilities and charges.

Other Commitments and Contingencies

Certain office and warehouse facilities, transportation vehicles and data processing equipment are leased by the Group. Total rental expense was $30.3 million in 2015 and $32.5 million in 2014. Minimum lease payments required under non-cancelable operating leases with terms in excess of one year for the next five years are as follows: $18.7 million in 2016, $13.4 million in 2017, $9.4 million in 2018, $6.4 million in 2019, and $4.4 million in 2020.

30. SHARE-BASED COMPENSATION

The Group records share-based compensation awards using a fair value method and recognizes compensation expense for an amount equal to the fair value of the share-based payment issued in its financial statements. The Group’s share-based compensation plans include programs for stock options, restricted stock units ("RSUs"), performance stock units ("PSUs"), and deferred compensation.

Under the Group's incentive stock plan, the total number of ordinary shares authorized by the shareholders is 8.0 million, of which 4.1 million remains available as of 31 December 2015 for future incentive awards.

Compensation Expense

Share-based compensation expense is included in administrative expenses. The following table summarizes the expenses recognized for the years ended 31 December:

In millions ($)	2015	2014
Stock options	3.7	3.3
RSUs	5.8	6.0
PSUs	5.0	3.9
Deferred compensation	0.3	0.8
Pre-tax expense	14.8	14.0
Tax benefit	(4.4)	(4.7)
Total	10.4	9.3

Stock Options / RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. The fair value of each of the Group’s stock option and RSU awards is expensed on a straight-line basis over the required service period, which is generally the 3-year vesting period. However, for stock options and RSUs granted to retirement eligible employees, the Group recognizes expense for the fair value at the grant date.

The average fair value of the stock options granted for the year ended 31 December 2015 and 2014 was estimated to be $17.88 per share and $19.54 per share, respectively, using the Black-Scholes option-pricing model. The weighted average assumptions used were the following:

	2015	2014
Dividend yield	0.69%	0.60%
Volatility	31.37%	36.55%
Risk-free rate of return	1.78%	1.94%
Expected life	6.0 years	6.0 years

For grants issued on or after 1 December 2013, expected volatility is based on the weighted average of the implied volatility of a group of the Group’s peers. The risk-free rate of return is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. Historical peer data is used to estimate forfeitures within the Group’s valuation model. The expected life of the Group’s stock option awards granted post separation is derived from the simplified approach based on the weighted average time to vest and the remaining contractual term, and represents the period of time that awards are expected to be outstanding.

Changes in options outstanding under the plans for the years ended 31 December 2015 and 2014 are as follows:

	Shares subject to option	Weighted-average exercise price (a)	Aggregate intrinsic value (millions)	Weighted-average remaining life (years)
31 December 2013	2,482,056	25.21		
Granted	188,817	54.07		
Exercised	(683,383)	24.18		
Canceled	(25,462)	43.89		
31 December 2014	1,962,028	28.11		
Granted	220,679	57.85		
Exercised	(575,564)	22.98		
Canceled	(14,976)	47.28		
Outstanding 31 December 2015	1,592,167	$ 33.91	51.0	5.2
Exercisable 31 December 2015	1,053,687	$ 25.64	42.4	3.6

(a) The weighted average exercise price for periods ending prior to 1 December 2013 represents the exercise price of awards prior to conversion to awards of the Group. The weighted average exercise price of awards on or after 1 December 2013 represents the exercise price of the awards on the grant date converted to ordinary shares of the Group.

The following table summarizes information concerning currently outstanding and exercisable options:

	Options outstanding			Options exercisable		
Range of exercise price	Number outstanding at 31 December 2015	Weighted-average remaining life (years)	Weighted-average exercise price ($)	Number outstanding at 31 December 2015	Weighted-average remaining life (years)	Weighted-average exercise price ($)
10.01 — 20.00	239,563	3.2	15.26	239,563	3.2	15.26
20.01 — 30.00	628,033	3.0	25.47	628,033	3.0	25.47
30.01 — 40.00	180,154	6.0	32.30	121,392	5.5	32.28
40.01 — 50.00	161,601	8.0	43.37	5,098	8.0	43.58
50.01 — 60.00	382,816	8.5	56.18	59,601	7.1	54.08
	1,592,167	5.2	33.91	1,053,687	3.6	25.64

At 31 December 2015, there was $4.1 million of total unrecognized compensation cost from stock option arrangements granted under the plan, which is primarily related to unvested shares of non-retirement eligible employees. The aggregate intrinsic value of the Group's options exercised during the year ended 31 December 2015 and 2014 was $21.5 million and $19.3 million, respectively. Generally, stock options expire ten years from their date of grant.

The following table summarizes RSU activity for the years ended 31 December 2015 and 2014:

	RSUs	Weighted-average grant date fair value (a)
Outstanding and unvested at 31 December 2013	378,217	33.59
Granted	101,654	54.29
Vested	(149,392)	28.68
Canceled	(5,319)	43.66
Outstanding and unvested at 31 December 2014	325,160	42.15
Granted	121,153	59.69
Vested	(92,029)	36.63
Canceled	(9,354)	49.32
Outstanding and unvested at 31 December 2015	344,930	49.59

(a) The weighted average grant date fair value for periods ending prior to 1 December 2013 represents the fair value of awards granted with respect to Ingersoll Rand ordinary shares, prior to conversion to awards of the Group. The weighted average grant date fair value of awards on or after 1 December 2013 represents the fair value of the awards on the grant date converted to ordinary shares of the Group.

At 31 December 2015, there was $7.9 million of total unrecognized compensation cost from RSU arrangements granted under the plan, which is related to unvested shares of non-retirement eligible employees.

Performance Shares

The Group has a Performance Share Program ("PSP") for key employees. The program provides awards in the form of Performance Share Units ("PSU") based on performance against pre-established objectives. The annual target award level is expressed as a number of the Group's ordinary shares. All PSUs are settled in the form of ordinary shares unless deferred.

In December 2013, the Group's Compensation Committee granted PSUs that are earned based upon the Group's total shareholder return ("TSR") performance compared to the TSR of the 41 companies currently comprising the S&P 400 Capital Goods Index over the three-year performance period based on the change in the 30 day average price for the index from December 2013 to the 30 day average price for the index in December 2016. The fair value of the market condition is estimated using a Monte Carlo simulation approach in a risk-neutral framework to model future stock price movements based upon the risk-free rate of return, the volatility of each entity, and the pair-wise correlations between each entity. The model utilizes a peer group of 41 members.

Beginning with the 2014 grant year, PSUs are earned based upon a 50% performance condition, measured at each reporting period by EPS performance in relation to pre-established targets set by the Compensation Committee, and upon a 50% market condition, measured by the Group's relative TSR against the S&P 400 Capital Goods Index over a three-year performance period based on the change in the 30 day average price for the grant year index to the 30 day average price for the index over the performance period. The fair values of the market conditions are estimated using a Monte Carlo simulation approach in a risk-neutral framework to model future stock price movements based upon the risk-free rate of return, the volatility of each entity, and the pair-wise correlations between each entity. The model utilizes a peer group of 41 members.

The following table summarizes PSU activity for the maximum number of shares that may be issued for the years ended 31 December 2015 and 2014:

	PSUs	Weighted-average grant date fair value (a)
Outstanding and unvested at 31 December 2013	62,883	29.27
Granted	110,387	72.70
Forfeited	(12,138)	50.96
Outstanding and unvested at 31 December 2014	161,132	57.39
Granted	58,323	66.47
Vested	(17,327)	75.05
Forfeited	(85)	75.05
Outstanding and unvested at 31 December 2015	202,043	64.92

(a) The weighted average grant date fair value for periods ending prior to 1 December 2013 represents the fair value of awards granted with respect to Ingersoll Rand ordinary shares, prior to conversion to awards of the Group. The weighted average grant date fair value of awards on or after 1 December 2013 represents the fair value of the awards on the grant date converted to ordinary shares of the Group.

At 31 December 2015, there was $4.4 million of total unrecognized compensation cost from the PSP based on current performance, which is related to unvested shares. This compensation will be recognized over the required service period, which is generally the three-year vesting period.

Deferred Compensation

The Group allows key employees to defer a portion of their eligible compensation into a number of investment choices, including its ordinary share equivalents. Any amounts invested in ordinary share equivalents will be settled in ordinary shares of the Group at the time of distribution.

31. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

The authorized share capital of Allegion is as follows;

	2015 $m	2014 $m
Authorized:		
40,000 ordinary shares of €1 par value	—	—
400,000,000 ordinary shares of $0.01 par value	4.0	4.0
10,000,000 preference shares of $0.001 par value	—	—
At 31 December	4.0	4.0

No preference shares were outstanding at 31 December 2015 or 2014.

A reconciliation of ordinary shares is as follows:

Allotted, called up and fully paid equity: **Ordinary shares of $0.01 each**	Number	$m
At 31 December 2013	96,028,568	1.0
Repurchase of ordinary shares	(995,257)	—
Issuance of ordinary shares in respect of share based payment plans	798,089	—
At 31 December 2014	95,831,400	1.0
Repurchase of ordinary shares	(515,400)	—
Issuance of ordinary shares in respect of share based payment plans	676,114	—
At 31 December 2015	95,992,114	1.0

Share repurchases

On 11 February 2014, the Board of Directors of the Group authorized the repurchase of up to $200 million of ordinary shares under a new share repurchase program. During the year ended 31 December 2015 the Group repurchased and cancelled 515,400 (2014: 995,257) ordinary shares of $0.01 each, or 1% of issued shares, at a weighted average price of $58.20.

32. MOVEMENT ON RESERVES

	Share Premium	Other Reserves	Profit and Loss Account	Total
	$m	$m	$m	$m
At 31 December 2013	27.7	(95.9)	1.1	(67.1)
Profit for the period	—	—	175.2	175.2
Pension and OPEB items	—	15.2	—	15.2
Foreign Currency items	—	(65.7)	—	(65.7)
Cash flow hedges and marketable securities	—	(1.0)	—	(1)
Shares issued under incentive stock plans	18.5	—	—	18.5
Share-based compensation	—	13.1	—	13.1
Repurchase of ordinary shares	—	—	(50.3)	(50.3)
Cash dividends declared ($0.32 per share)	—	—	(30.7)	(30.7)
Other	(11.3)	—	(1.7)	(13.0)
At 31 December 2014	34.9	(134.3)	93.6	(5.8)
Profit for the period	—	—	153.9	153.9
Pension and OPEB items	—	(23.2)	—	(23.2)
Foreign Currency items	—	(59.1)	—	(59.1)
Cash flow hedges and marketable securities	—	(1.7)	—	(1.7)
Shares issued under incentive stock plans	14.3	—	—	14.3
Share-based compensation	—	14.6	—	14.6
Repurchase of ordinary shares	—	—	(30.0)	(30)
Cash dividends declared ($0.40 per share)	—	—	(38.4)	(38.4)
At 31 December 2015	49.2	(203.7)	179.1	24.6

Dividends declared and paid during the year

	2015	2014
Equity dividends on ordinary shares:	$m	$m
First interim dividend for 2015 of $0.10c (2014: $0.08c)	9.6	7.7
Second interim dividend for 2015 of $0.10c (2014: $0.08c)	9.6	7.7
Third interim dividend for 2015 of $0.10c (2014: $0.08c)	9.6	7.6
Fourth interim dividend for 2015 of $0.10c (2014: $0.08c)	9.6	7.7
At 31 December	38.4	30.7

Future dividends

Future dividends on our ordinary shares, if any, will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant, as well as our ability to pay dividends in compliance with the Irish Companies Act. Under the Irish Companies Act, dividends and distributions may only be made from distributable reserves. Distributable reserves, broadly, means the accumulated realised profits of Allegion plc. In addition, no distribution or dividend may be made unless the net assets of Allegion plc are equal to, or in excess of, the aggregate of Allegion plc's called up share capital plus non - distributable reserves and the distribution does not reduce Allegion plc's net assets below such aggregate.

Other

Included in equity for the year ended 31 December 2014 were $13.0 million of adjustments related to the completion of the allocation of taxable income and the completion of the allocation of tax basis in certain assets between Ingersoll Rand and Allegion at the Spin-off.

33. MINORITY INTERESTS

	2015 $m	2014 $m
At 1 January	23.3	31.1
Share of profit / (losses) for the financial year	0.4	(2.6)
Dividends to minorities	(19.9)	(4.5)
Acquisition / Divestiture of non controlling interest, net	1.7	—
Other	(1.4)	(0.7)
At 31 December	4.1	23.3

34. LOANS TO DIRECTORS

Irish company law prohibits the Company from making a loan or a quasi loan to a director of the Company unless certain conditions are met. No loans or quasi-loan have been made to any director of the Company during the financial year.

35. CAPITAL EXPENDITURE COMMITMENTS

	2015 $m	2014 $m
Capital expenditure that has been authorised by the Directors but not yet been contracted	9.2	9.5

36. RELATED PARTY DISCLOSURES

The Group entered into a Transition Services Agreement with Ingersoll Rand, under which Ingersoll Rand provides certain services for a limited time after the Spin-off to help ensure an orderly transition. Under the Transition Services Agreement, the Group receives certain services, including services for information technology, human resources and labor and finance and accounting support as well as other corporate support services, from Ingersoll Rand and/or third party providers at specified prices. The Group paid $1.5 million in 2015 and $2.9 million in 2014 for services provided under transition services agreements.

The other principal related party relationships requiring disclosure in the Consolidated Financial Statements pertain to the existence of subsidiaries and associates and transactions with these entities entered into by the Group and the identification of key management personnel as addressed in greater detail below.

Subsidiaries and Associates

The Consolidated Financial Statements include the results of operations, financial positions and cash flows of the Group and its subsidiaries and associates over which the Group has control or otherwise qualify for consolidation or equity accounting. A listing of the principal subsidiaries and associates is provided in Note 37. Associates not consolidated or equity accounted are included in Note 15 to the Consolidated Financial Statements.

Trading Transactions

There were no transactions requiring disclosure under Sch. 3, Section 67 (1) of the Irish Companies Act 2014.

Compensation of Key Management Personnel of the Group

Key management personnel are the Group's executive and non-executive directors and the following is the aggregate compensation of these directors.

	2015 $m	2014 $m
Emoluments	4.2	4.1
Contributions to retirement benefits schemes: Defined contribution	0.2	0.1
At 31 December	4.4	4.2

37. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

The subsidiary and associate undertakings at 31 December 2015 are listed below:

Name	Nature of business	Registered office	Country of Incorporation	Percentage of ownership
A.B.S. - R.I.C.A.	Trading company	1, Rue Paul-Henri Spaak, Saint Thibault de Vignes, 77463	France	100%
Allegion B.V.	Manufacturing & Distribution	Witboom 1, Vianen, 4131PL	Netherlands	100%
Allegion LLC	Holding Company	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	US	100%
Allegion NV	Manufacturing & Distribution	Pontbeekstraat 2, 1702 Groot-Bijgaarden	Belgium	100%
Allegion SA	Non-Operating	Av. Principal de Boleita con calle Maraima,Galpon Trane Nros. S/N, Urb. Boleita Norte, Municipo Sucre del Estado Miranda	Venezuela	100%
Allegion (Australia) Pty Limited	Trading Company	16-20 Third Avenue, Sunshine, Victoria 3020	Australia	100%
Allegion Canada Inc.	Trading Company	2900-550 Burrard Street, Vancouver, BC, V6C 0A3	Canada	100%
Allegion Chile SpA	Manufacturing & Distribution	Calle Huerfanos 770, Piso 4, Comuna de Santiago	Chile	100%
Allegion Colombia S.A.S.	Holding Company	Avenida 82 No. 10-50, Bogota D.C.	Colombia	100%
Allegion de Mexico, S. de R.L. de C.V.	Manufacturing & Distribution	Los Olivos 698 S/N, Chavez Tecate, 21440	Mexico	100%
Allegion Deutsche Holding GmbH	Holding Company	Schwarzwaldstrasse 15, 77871 Renchen	Germany	100%
Allegion EMEA BVBA	Holding Company	Lenneke Marelaan 8, 1932, Sint-Stevens-Woluwe	Belgium	100%
Allegion Emniyet ve Guvenlik Sistemleri Sanayi AS	Manufacturing & Distribution	No: 45 Kar Plaza Kat 12, Kayisdagi Cad. Karaman Ciftlik Yolu, Icerenkoy, Istanbul, 34752	Turkey	100%
Allegion Finance Inc.	Holding Company	1209 Orange St., Wilmington, DE, 19801	US	100%
Allegion Fu Hsing Limited	Trading company	29th Floor, Fortis Tower, No. 77-79, Gloucester Road, Wanchai	Hong Kong	51%
Allegion Fu Hsing Holdings Limited	Holding Company	c/o Commonwealth Trust Limited, Drake Chambers, Tortola	BVI	51%
Allegion German Financing GmbH & Co. KG	Holding Company	Zettachring 16, 70567 Stuttgart, Germany	Germany	100%
Allegion German Holding I GmbH	Holding Company	Zettachring 16, 70567 Stuttgart, Germany	Germany	100%

Allegion German Holding II GmbH	Holding Company	Zettachring 16, 70567 Stuttgart, Germany	Germany	100%
Allegion (Gibraltar) Holding Limited	Holding Company	57/63, Line Wall Road	Gibraltar	100%
Allegion (Hong Kong) Limited	Trading company	29th Floor, Fortis Tower, No. 77-79 Gloucester Road, Wanchai	Hong Kong	100%
Allegion Immobilien GmbH	Trading company	Interflex Datensysteme GmbH, Zettachring 16, D-70567, Stuttgart	Germany	100%
Allegion India Private Limited	Trading company	Unit No. 31, Kalpataru Square, Andheri-Kurla Road, Andheri (East), Mumbai 400 059	India	100%
Allegion International AG	Manufacturing & Distribution	Tafernhof, Mellingerstrasse 207, Baden-Dattwil, CH-5405	Switzerland	100%
Allegion Investments (UK) Limited	Holding Company	Sefton House, Northgate Close, Middlebrook Business Park, Bolton, BL6 6PQ	United Kingdom	100%
Allegion Investments Holding LLC	Holding Company	1209 Orange Street, Wilmington, New Castle, DE, 19801, United States	US	100%
Allegion Irish Holding Company II Ltd	Holding Company	Block D Iveagh Court, Harcourt Road, Dublin 2, Ireland, Europe	Ireland	100%
Allegion Irish Holding Company Limited	Holding Company	Block D, Iveagh Court, Harcourt Road, Dublin 2	Ireland	100%
Allegion Luxembourg Holding and Financing S.à r.l.	Holding Company	16, Avenue Pasteur, Grand Duchy of Luxembourg, L2311	Luxembourg	100%
Allegion Luxembourg Holding II SCS	Holding Company	26,boulevard Royal, L-2449, Luxembourg	Luxembourg	100%
Allegion Luxembourg Holding III S.á.r.l	Holding Company	26,boulevard Royal, L-2449, Luxembourg	Luxembourg	100%
Allegion Lux Financing I S.à r.l	Holding Company	16, Avenue Pasteur, Grand Duchy of Luxembourg, L2311	Luxembourg	100%
Allegion Lux Financing II S.à r.l.	Holding Company	16, Avenue Pasteur, Grand Duchy of Luxembourg, L2311	Luxembourg	100%
Allegion (New Zealand) Limited	Manufacturing & Distribution	437 Rosebank Road, Avondale Box 19034, Avondale, Auckland	New Zealand	100%
Allegion Panama, S. de R.L.	Trading company	Avenida Samuel Lewis y Calle 54 St, Edificio AFRA, Panamá, República de Panamá	Panama	100%
Allegion S&S Holding Company Inc.	Holding Company	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	US	100%
Allegion S&S Lock Holding Company Inc.	Holding Company	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	US	100%
Allegion Security Technologies (China) Co. Ltd.	Manufacturing & Distribution	Building No.10, No. 8158, Tingwei Road, Jinshan Industrial Zone, Shanghai	China	100%
Allegion (UK) Limited	Trading Company	Bescot Crescent1, Walsall, West Midlands, WS1 4DL	United Kingdom	100%
Allegion US Holding Company Inc.	Holding Company	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	US	100%
AXA Stenman Deutschland GmbH	Trading company	An der Silberkuhle 1, D-58239, Schwerte, Germany	Germany	100%
AXA Stenman France S.A.S.	Manufacturing & Distribution	Usine de Beaulieu, 58500 Clamecy	France	100%
AXA Stenman Holding B.V.	Holding Company	Energiestraat 2, NL-3903 AV Veenendaal, the Netherlands	Netherlands	100%

AXA Stenman Hong Kong Ltd.	Trading company	Flat-RM 1901, Hong Kong Trade Center, 161-167 Des Voeux Road Central	Hong Kong	100%
AXA Stenman Industries B.V.	Holding Company	Energiestraat 2, NL-3903 AV Veenendaal, the Netherlands	Netherlands	100%
AXA Stenman Nederland B.V	Manufacturing & Distribution	Energiestraat 2, NL-3903 AV Veenendaal, the Netherlands	Netherlands	100%
AXA Stenman Poland Sp Z.O.O	Manufacturing & Distribution	ul. Warszawska, nr 29, 42-470 Siewierz	Poland	100%
BASTA Group A/S Denmark	Holding Company	c/o Accura Advokatpartnerselskab Tuborg Boulevard 1, 2900 Hellerup	Denmark	100%
Beijing Bocom Video Communication Systems Co., Ltd.	Trading Company	F Zone, Builing J, Jingxin Yuan, No.25, Beiwucun Road, Haidian District, Beijing	China	100%
Beijing Metal Door Co., Ltd.	Manufacturing & Distribution	No. 6, Caiyuan Road, Nancai Town, Shunyi District, Beijing	China	17%
Bocom Wincent Technologies Co., Ltd	Manufacturing & Distribution	Unit B, 9th Floor, Bldg C, Qinghua Tongfang Information Center, 11 Langshan Road, North High Tech Industrial Zone, Shenzhen, China	China	15%
Bricard S.A.	Manufacturing & Distribution	1, Rue Paul-Henri Spaak, Saint Thibault de Vignes, 77463	France	100%
CISA Cerraduras S.A.	Manufacturing & Distribution	Poligono Industrial La Charluca, Calle F, parcela M16-17, 50300 Calatayud, Zaragoza	Spain	100%
CISA SpA	Manufacturing & Distribution	no 42, Via Oberdan, Faenza, 48018	Italy	100%
D. Purdue & Sons Ltd.	Trading Company	Elsies River, 7490	South Africa	25%
Dor-O-Matic (Illinois) LLC	Non-Operating	C T Corporation System, 208 S. LaSalle Street, Chicago, IL, 60604	US	100%
Dor-o-Matic of Mid Atlantic States, Inc.	Trading Company	6505 S. Crescent Blvd., Pennsauken, NJ, 08110	US	100%
Fire and Security Hardware Pty Limited	Trading Company	16-20 Third Avenue, Sunshine, VIC, 3020	Australia	100%
Electronic Technologies Corporation USA	Trading Company	11819 North Pennsylvania Street, Carmel, Indiana, 46032	US	100%
Fu Yang Investment Company Limited	Holding Company	2F, 336 Chang Sheng Road, Gao Xiong	Taiwan	100%
Harrow Industries LLC	Manufacturing & Distribution	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Harrow Products (Delaware) LLC	Trading Company	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Harrow Products, LLC	Trading Company	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
iDevices, LLC	Manufacturing & Distribution	136 Simsbury Rd., Bld 12, Avon, CT 06001, Avon, CT, 06001, United States	US	17%
Interflex Datensysteme GesmbH	Manufacturing & Distribution	Geisselbergstrasse 19/3/6, Vienna, 1110	Austria	100%
Interflex Datensysteme GmbH & Co KG	Manufacturing & Distribution	Interflex Datensysteme GmbH, Zettachring 16, D-70567, Stuttgart	Germany	100%
Milre Systek Co., Ltd	Manufacturing & Distribution	(Chun Eui Techno Park 2cha, Chuneui-dong) 9th floor, 201dong located at 18, Bucheon-ro 198beon-gil, Wonmi-gu, Bucheon-si, Gyeonggi-do	Korea	100%
Newman Tonks (Overseas Holdings) Limited	Non-Operating	Bescot Crescent1, Walsall, West Midlands, WS1 4DL	United Kingdom	100%

Normbau Beschlage und Ausstattungs GmbH	Manufacturing & Distribution	Schwarzwaldstrasse 15, Postfach 1261, Renchen, D-77871	Germany	100%
Normbau France SAS	Manufacturing & Distribution	1 RUE DE L'ARTISANAT, 67240, BISCHWILLER	France	100%
NT Group Properties Limited	Non-Operating	Bescot Crescent1, Walsall, West Midlands, WS1 4DL	United Kingdom	100%
NT Leamington Limited	Non-Operating	Bescot Crescent1, Walsall, West Midlands, WS1 4DL	United Kingdom	100%
Recognition Systems LLC	Manufacturing & Distribution	CT Corporation System, 818 West Seventh Street, Los Angeles, CA, 90017	US	100%
Schlage de Mexico SA de CV	Manufacturing & Distribution	Los Naranjos No. 648, Col. El Encanto, Baja California, 21440 Tecate	Mexico	100%
Schlage Lock Company LLC	Manufacturing & Distribution	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Shanghai Bocom Video Communication System Co. Ltd.	Trading Company	Room 1007, No. 1027, Changning Road, Changning District, Shanghai	China	100%
SimonsVoss Security Technologies (Asia) Pte. Ltd.	Trading company	178 Paya Lebar Road, 04-10, Paya Lebar 178, Singapore (409030), Singapore	Singapore	100%
SimonsVoss Security Technologies Sdn. Bhd.	Trading company	1 & 1A, 2nd floor (room 2) Jalan Ipoh Kecil 50350 Kuala Lumpur, Malaysia	Malaysia	100%
SimonsVoss Technologies AB	Trading company	Krejaren 2, Ostermalmstorg 1, 114 42 Stockholm, Sweden	Sweden	100%
SimonsVoss Technologies BV	Trading company	Evert van de Beekstraat 310, 1118CX Schiphol, The Netherlands	Netherlands	100%
SimonsVoss Technologies FZE	Trading company	Office No. LB05118, Jebel Ali, Dubai, UAE	United Arab Emirates	100%
SimonsVoss Technologies GmbH	Manufacturing & Distribution	Feringstrasse 4, 85774, Unterfoehring, Germany	Germany	100%
SimonsVoss Technologies Limited (Hong Kong)	Trading company	15F OTB Building 160, Gloucester Road, Hong Kong	Hong Kong	100%
SimonsVoss Technologies Limited (UK)	Trading company	c/o Pini Franco LLP, 22-24 Ely Place, London EC1N 6TE, UK	United Kingdom	100%
SimonsVoss Technologies SAS	Trading company	1-3 Rue des Remparts, F 93160 Noisy-le-Grand, France	France	100%
Taiwan Fu Hsing Industrial Company	Manufacturing & Distribution	55-10 Been Chou Road, Kangshan, Kaohsiung Hsien	Taiwan	10%
XceedID Corporation	Manufacturing & Distribution	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Von Duprin LLC	Non-Operating	150 West Market Street, Suite 800, Indianapolis, IN, 46204	US	100%
Zero Seal Systems Limited	Trading company	43-45 Ladford Covert, Seighford, Stafford, Staffordshire, ST18 9QG, England	United Kingdom	51%

38. EVENTS SINCE YEAR END

Dividends declared

On 4 February 2016, the Group's Board of Directors (the Board) declared a quarterly dividend of $0.12 cents per ordinary share. The dividend was paid on 31 March 2016 to shareholders of record on 16 March 2016, a total of 95.7 million shares and a total dividend amount of $11.5 million.

Share repurchases

During February and March 2016, the Group repurchased and cancelled 499,495 ordinary shares of $0.01 each, at a weighted average price of $60.06.

39. GENERAL INFORMATION

Allegion plc is a public limited company which is listed on the New York Stock Exchange and is incorporated and domiciled in the Republic of Ireland.

Registered office and registered number

Block D

Iveagh Court

Harcourt Road

Dublin 2

Ireland

Registered Number 527370

Solicitors

Arthur Cox

Earlsfort Centre

Earlsfort Terrace

Dublin 2

Ireland

Independent Auditors

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

One Spencer Dock

North Wall Quay

Dublin 1

Ireland

40. APPROVAL OF FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved by the board of directors of the Group on 7 April 2016.

Allegion plc
Parent Company Balance Sheet
At 31 December 2015

	Note	2015	2014
		$m	$m
Fixed assets			
Investments	7	5,213.5	5,200.3
		5,213.5	5,200.3
Current Assets			
Debtors	8	249.1	0.4
Cash at bank and in hand		3.3	27.1
		252.4	27.5
Creditors: Amounts falling due within one year	9	(52.4)	(50.7)
Net current assets (liabilities)		200.0	(23.2)
Net assets		5,413.5	5,177.1
Creditors: Amounts falling due after more than one year	9	(1,168.1)	(909.1)
Net assets		4,245.4	4,268.0
Capital and reserves			
Called up share capital presented as equity	11	1.0	1.0
Share premium	12	30.8	17.5
Capital redemption reserve	12	—	—
Share Based Payment Reserve	12	26.1	12.3
Profit and loss account	12	4,187.5	4,237.2
Shareholders' funds		4,245.4	4,268.0

Approved by the Board of Directors on 7 April 2016 and signed on its behalf by:

David D. Petratis	*Martin E. Welch III*
David D. Petratis	Martin E. Welch III
Director	Director

Allegion plc
Parent Company Statement of changes in equity
For the year ended 31 December 2015

	Capital Redemption Reserve	Share Premium	Share Based Payment Reserve	Profit and Loss Account	Total
	$m	$m	$m	$m	$m
At 1 January 2014	—	4,213.3	0.8	(0.7)	4,213.4
Issuance of ordinary shares in respect of share based payment plans	—	16.5	—	—	16.5
Share based payment charge for the period	—	—	11.5	—	11.5
Profit for the period	—	—	—	106.6	106.6
Repurchase of ordinary shares	—	—	—	(50.3)	(50.3)
Irish High Court approved reduction of capital	—	(4,212.3)		4,212.3	—
Dividends	—	—	—	(30.7)	(30.7)
At 31 December 2014	—	17.5	12.3	4,237.2	4,267.0
Issuance of ordinary shares in respect of share based payment plans	—	13.3	—	—	13.3
Share based payment charge for the period	—	—	13.8	—	13.8
Profit for the period	—	—	—	18.7	18.7
Repurchase of ordinary shares	—	—	—	(30.0)	(30.0)
Dividends	—	—	—	(38.4)	(38.4)
At 31 December 2015	—	30.8	26.1	4,187.5	4,244.4

1. BASIS OF PREPARATION

The entity financial statements have been prepared on the going concern basis and in accordance with Generally Accepted Accounting Practice in Ireland (applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

The financial statements of the entity present the balance sheet on a stand-alone basis, including related party transactions.

The financial statements have been prepared under the historical cost convention.

The Company is a qualifying entity for the purposes of FRS 102. As a qualifying entity, the Company has availed of a number of exemptions from the disclosure requirements of FRS 102 in the preparation of the entity financial statements. The Company has notified its shareholders in writing about, and they do not object to, the disclosure exemptions availed of by the Company in the entity financial statements.

In accordance with FRS 102, the Company has availed of an exemption from the following paragraphs of FRS 102:

- The requirements of section 7 and paragraph 3.17(d) to present a statement of cash flows; and
- The requirement of Section 33 Related Party Disclosures paragraph 33.7 in relation to key management personnel compensation.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting convention: The financial statements have been prepared on a going concern basis under the historical cost convention.

Functional currencies: Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in United States dollars, which is the Company's functional and presentation currency.

Investments in subsidiaries: Allegion plc's investments in its subsidiaries are stated at cost less provision for any impairment in value. Cost represents the fair value on 1 December 2013, the date of the spin off, based on the Company's market capitalization at that time plus subsequent capital contributions and acquisitions. The Company reviews investments for impairment if events or changes in circumstances indicate that the carrying value may be impaired. The Company assesses whether such indicators exist at each reporting date. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognized.

Dividends: Dividend income is recognized when the right to receive the payment is established. Interim dividends on ordinary shares to the Group's external shareholders are recognized in the financial statements when they are paid.

Foreign currencies: Transactions during the period denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to United States dollars at the rates of exchange at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

Taxation: Corporation tax is provided on taxable profits at current rates. Deferred taxation is accounted for in respect of all timing differences at tax rates enacted or substantially enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in tax computation in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognized when it is more likely than not the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be recovered.

Cash flow statement: The Company has not presented a separate cash flow statement as it has availed of the exemption available under FRS 102 section 1.12 (b). This exemption is available as 100% of the Company's voting rights are controlled within the Allegion plc group and the consolidated financial statements of Allegion plc (in which the Company is included) are publicly available.

Share-based payments: The Company and its subsidiaries operate various equity-settled share based compensation plans. The fair value of the employee services received in exchange for the grant of performance stock units has been valued using a Monte Carlo simulation based on the grant's performance criteria and forecasted earnings per share. The fair value of the employee services received in exchange for the grant of restricted stock units has been valued using the fair value of Allegion plc ordinary shares on the date of grant. The fair value of the employee services received in exchange for the grant of options has been valued using the Black-Scholes option-pricing model. In accordance with Section 26 of FRS 102 Section 'Share-based Payments', the resulting cost for the employees is charged to the profit and loss account over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of awards vesting. The cost for awards granted to the Company's subsidiaries' employees represents additional capital contributions by the Company to its subsidiaries. An additional investment in subsidiaries has been recorded in respect of those awards granted to the Company's subsidiaries' employees, with a corresponding increase in the Company's shareholders' equity. The additional capital contribution is based on the fair value at the grant date of the awards issued, allocated over the life of the underlying grant's vesting period. Proceeds received from employees, if any, for the exercise of share based instruments increase the share capital and share premium accounts of the Company. The difference between the proceeds received on issue of shares and the nominal value of the shares is credited to the share premium account. Note 30 of the Consolidated Financial Statements provides additional details of the Group share-based compensation plans.

Contingencies: The Company has guaranteed certain liabilities and credit arrangements of the group. The Company reviews the status of these guarantees at each reporting date and considers whether it is required to make a provision for payment on those guarantees based on the probability of the commitment being called.

Financial instruments: The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.
(i) Financial assets
Basic financial assets, including trade and other receivables, loans to fellow group companies and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Cash at bank and in hand: Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key risk identified by the directors relates to impairment of investments in relation to subsidiaries. Consequently the company assess at each reporting date whether there is any indication that an investment in subsidiary has been impaired. If such an indication exists, the company is required to undertake a review for impairment and estimate the recoverable amount of the asset.

4. PROFIT FOR THE FINANCIAL YEAR

A profit of $18.7 million for the year ended 31 December 2015 (profit of $106.6 million for the prior period) has been dealt with in the profit and loss account of Allegion plc, which as permitted by section 304 of the Companies Act 2014, is not presented in these financial statements. The Company had no other recognized gains and losses and accordingly no statement of total recognized gains and losses is presented.

5. AUDITORS' REMUNERATION

	2015	2014
	$m	$m
Audit of the company's individual accounts (including expenses)	0.3	0.3
Other assurance services	—	—
Tax advisory services	—	—
Other non-audit	—	—
	0.3	0.3

Note 8 of the Consolidated Financial Statements provides additional details of fees paid by the Group.

6. EMPLOYEE COSTS

The average number of persons employed in the Company, including executive directors, during 2014 and 2015 was 2.

	2015	2014
Employee costs	$m	$m
Wages & salaries	0.2	0.2
Social insurance costs	—	—
Other pension costs	—	—
	0.2	0.2

7. INVESTMENTS - SHARES IN GROUP UNDERTAKINGS

	$m
At 31 December 2013	4,214.1
Capital contribution to subsidiary	975.0
Capital contribution relating to share-based payments	11.2
At 31 December 2014	5,200.3
Capital contribution relating to share-based payments	13.2
At 31 December 2015	5,213.5

During 2014 the Company provided a non refundable capital contribution of $975.0 million to its direct subsidiary Allegion Irish Holding Company Limited increasing the investment cost.

Subsidiaries

Details of the Company's direct subsidiaries as at 31 December 2015 are as follows:

Subsidiary company and registered office	Country of Incorporation	Principal Activity	Holding %
Allegion Irish Holding Company Limited Iveagh Court, Harcourt Road, Dublin 2, Ireland	Ireland	Holding Company	100%
Allegion US Holding Company Inc. 11819 North Pennsylvania Street, Carmel, IN 46032, U.S.A	U.S.A	Holding Company	100%

The Company indirectly owns all other subsidiaries in the Allegion group. Details of indirect subsidiaries can be found in Note 37 of the Consolidated Financial Statements.

8. DEBTORS

Amounts falling due within one year:	2015 $m	2014 $m
Amounts owed by subsidiary undertakings	248.6	0.1
Prepayments	0.5	0.3
At 31 December	249.1	0.4

Amounts owed by group undertakings are unsecured, interest free and repayable upon demand. The directors consider that the carrying amount of debtors approximates their fair value.

Deferred tax

The Company has no unused tax losses as of 31 December 2015.

9. CREDITORS

Amounts falling due within one year:	2015 $m	2014 $m
Amounts due to subsidiary undertakings	0.4	0.4
Debt current portion (net of issuance costs) - Note 10	44.4	47.4
Income tax deducted under PAYE	0.1	0.2
Pay related social insurance	—	—
Accrued interest	5.2	—
Capital gains tax	0.7	—
Trade creditors	1.6	2.7
At 31 December	52.4	50.7

Creditors for taxation and social welfare included in the table above:		
Income tax deducted under PAYE	0.1	0.2
Pay related social insurance	—	—
Capital gains tax	0.7	—
Dividend withholding tax	0.5	0.6
At 31 December	1.3	0.8

Amounts due to group undertakings falling due within one year are unsecured and are repayable within 60 days.
Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

Trade creditors principally comprise amounts outstanding for day to day purchases and ongoing costs and are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms. The directors consider that the carrying amount of trade creditors approximates to their fair value.

Amounts falling due after more than one year:	2015 $m	2014 $m
Debt (net of issuance costs) - Note 10	1,168.1	909.1
At 31 December	1,168.1	909.1

10. LOANS AND BORROWINGS

Long-term debt consisted of the following:

	2015 $m	2014 $m
Term Loan A Facility	962.8	975.0
Repayment during the year	(36.1)	(12.2)
5.875% Senior Notes due 2023	300.0	—
At 31 December	1,226.7	962.8
Less current portion of long term debt	(46.9)	(48.8)
	1,179.8	914.0

Term A
In September 2015, the Company entered into a Second Amendment and Restatement Agreement (the "Second Amendment and Restatement Agreement") to amend and restate its existing Amended and Restated Credit Agreement (the "Credit Agreement"),

dated as of 26 November 2013 and amended and restated on 15 October 2014. The Second Amended and Restated Agreement provides for (i) $1.438 billion of Senior Secured Facilities, consisting of a $938.4 million Term Loan Facility due in 2020 (the "Term Loan A Facility") and (ii) a $500.0 million Senior Secured Revolving Credit Facility (the "Revolver") maturing in 2020. The Company refers to these credit facilities as its "Senior Secured Credit Facilities."

The terms of the Second Amendment and Restatement Agreement are substantially consistent with the terms of the previous agreements, subject to certain changes, including:(i) a reduction of the applicable margin for LIBOR rate borrowings to range from 1.375% to 1.875% (down from 1.50% to 2.00%) and the applicable margin for base rate borrowings to range from 0.375% to 0.875% (down from 0.50% to 1.00%), in each case depending on the corporate credit or family rating, (ii) an extension of the maturity date of the Revolver and the Term Loan Facility from 15 October 2019 to 15 October 2020; and (iii) changes to certain other terms of the Credit Agreement, including the restrictive covenants, to provide the Company with additional flexibility.

The Company repaid $36.1 million of principal on its Term Loan A Facility during the year ended 31 December 2015. Borrowings outstanding under the Term Loan A Facility were $926.7 million on 31 December 2015. Allegion plc remains the primary borrower under the Second Amended and Restated Credit Agreement.

Term Facilities. The Term Loan A Facility amortizes in quarterly installments at the following rates per year: 5% in 2016; 5% in 2017; 5% in 2018 and 10% in each year thereafter, with the final installment due on 15 October 2020.

Revolver

The five-year Senior Secured Revolving Credit Facility permits borrowings of up to $500.0 million. The Revolver is comprised of two tranches: a $400 million tranche available in U.S. Dollars and a multi-currency tranche capped at $100 million. The Revolver also includes $100.0 million available for the issuance of letters of credit, however outstanding letters of credit reduce availability under the Revolver. The Revolver matures and the commitments thereunder will terminate on 15 October 2020. The Company pays certain fees with respect to the Revolver, including a commitment fee on the undrawn portion of the Revolver of 0.25% per year.

During August 2015, the Company borrowed $400.0 million under the Revolver in order to fund a portion of the acquisitions of SimonsVoss and AXA. The Company used the proceeds of the Senior Note offering, discussed below, and cash on hand to repay the $400.0 million outstanding between September and December. At 31 December 2015, the Company did not have any borrowings outstanding under the Revolver and had $26.6 million of letters of credit outstanding.

Senior Notes

In September 2015, Allegion plc issued $300.0 million of 5.875% senior notes due 2023 (the "2023 Senior Notes"). The 2023 Senior Notes have been registered under the Securities Act of 1933, as amended. The 2023 Senior Notes accrue interest at the rate of 5.875% per annum, payable semi-annually on March 15 and September 15 of each year, beginning March 15, 2016. The 2023 Senior Notes mature on September 15, 2023. The 2023 Senior Notes are pursuant to an indenture (the “Second Indenture”), which provides that, among other things, the 2023 Senior Notes rank equally in right of payment to all of Allegion plc’s existing and future senior unsecured indebtedness and effectively junior to all of the issuer’s and the guarantors’ existing and future secured indebtedness (including indebtedness with respect to the Senior Secured Credit Facility) to the extent of the value of the assets securing such indebtedness. The 2023 Senior Notes are structurally subordinated to all of the existing and future liabilities of Allegion plc’s subsidiaries that do not guarantee the 2023 Senior Notes. The Company used the net proceeds of the offering to repay approximately $300.0 million under Allegion’s revolving credit facility. Borrowings outstanding under the 2023 Senior Notes were $300.0 million on 31 December 2015.

Interest Rates and Fees

Outstanding borrowings accrue interest, at the option of the borrower, at a per annum rate of (i) LIBOR plus the applicable margin or (ii) a base rate plus the applicable margin. As of 31 December 2015, the Company elected to borrow utilising LIBOR. The applicable margin for borrowings under the Revolver and the Term Loan A Facility is subject to a credit facility rating-based pricing grid with the LIBOR ranging from 1.375% to 1.875%. The margin for Term Loan A Facility borrowings was 1.625% as of 31 December 2015.

Debt issuance costs
Debt issuance costs consisted of the following:

	2015 $m	2014 $m
As of 1 January	6.3	—
Incurred during the year	9.8	6.6
Amortisation charge for the year	(1.9)	(0.3)
At 31 December	14.2	6.3
Less current portion	(2.5)	(1.4)
	11.7	4.9

At 31 December 2015, future retirements for the amounts outstanding under the Term A Facility and the 2023 Senior Notes are as follows:

	$m
2016	46.9
2017	46.9
2018	46.9
2019	93.9
2020	692.1
Thereafter	300.0
Total	1,226.7

During the year ended 31 December 2015, the average interest rate for borrowings was 2.01% under the Term Loan Facility and 5.875% under the 2023 Senior Notes. Cash paid for interest for the year ended 31 December 2015 was approximately $21.7 million.

Note 24 of the Consolidated Financial Statements provides additional details of loans of borrowings in the Group.

11. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

Authorised:	2015 $m	2014 $m
40,000 ordinary shares of €1 par value	—	—
400,000,000 ordinary shares of $0.01 par value	4.0	4.0
10,000,000 preference shares of $0.001 par value	—	—
At 31 December	4.0	4.0

Allotted, called up and fully paid equity: **Ordinary shares of $0.01 each**	Number	$m
At 31 December 2013	96,028,568	1.0
Repurchase of ordinary shares	(995,257)	—
Issuance of ordinary shares in respect of share based payment plans	798,089	—
At 31 December 2014	95,831,400	1.0
Repurchase of ordinary shares	(515,400)	—
Issuance of ordinary shares in respect of share based payment plans	676,114	—
At 31 December 2015	95,992,114	1.0

Share repurchases

On 11 February 2014, the Board of Directors of the Company authorized the repurchase of up to $200 million of ordinary shares under a new share repurchase program. During the year ended 31 December 2015 the Company repurchased and cancelled 515,400 (2014: 995,257) ordinary shares of $0.01 each, or 1% of issued shares, at a weighted average price of $58.20. Distributable reserves have been reduced by $30.0 million being the consideration, including expenses paid for these shares. The repurchase transactions were financed by internally generated funds. The shares repurchased were cancelled and an amount equivalent to their nominal value was transferred to the capital redemption reserve in accordance with the requirements of section 106(4) of the Companies Act 2014. The transfer to capital redemption reserve and the premium paid on the shares repurchased were made out of retained profits.

12. RESERVES

	Capital Redemption Reserve	Share Premium	Share Based Payment Reserve	Profit and Loss Account	Total
	$m	$m	$m	$m	$m
At 1 January 2014	—	4,213.3	0.8	(0.7)	4,213.4
Issuance of ordinary shares in respect of share based payment plans	—	16.5	—	—	16.5
Share based payment charge for the period	—	—	11.5	—	11.5
Profit for the period	—	—	—	106.6	106.6
Repurchase of ordinary shares	—	—	—	(50.3)	(50.3)
Irish High Court approved reduction of capital	—	(4,212.3)		4,212.3	—
Dividends	—	—	—	(30.7)	(30.7)
At 31 December 2014	—	17.5	12.3	4,237.2	4,267.0
Issuance of ordinary shares in respect of share based payment plans	—	13.3	—	—	13.3
Share based payment charge for the period	—	—	13.8	—	13.8
Profit for the period	—	—	—	18.7	18.7
Repurchase of ordinary shares	—	—	—	(30.0)	(30.0)
Dividends	—	—	—	(38.4)	(38.4)
At 31 December 2015	—	30.8	26.1	4,187.5	4,244.4

The Company's share premium, capital redemption reserve and share based payment reserves are not available for distribution.

Irish reduction of capital

On 17 January 2014, the Irish High Court approved the creation of distributable reserves of Allegion plc through the reduction of the share premium account, so as to enable the directors declare potential distributions. The court order authorising the creation of distributable reserves was filed with the Registrar of Companies in Ireland and became effective on 17 January 2014.

Dividends declared and paid during the year

	2015	2014
Equity dividends on ordinary shares:	$m	$m
First interim dividend for 2015 of $0.10c (2014: $0.08c)	9.6	7.7
Second interim dividend for 2015 of $0.10c (2014: $0.08c)	9.6	7.7
Third interim dividend for 2015 of $0.10c (2014: $0.08c)	9.6	7.6
Fourth interim dividend for 2015 of $0.10c (2014: $0.08c)	9.6	7.7
At 31 December	38.4	30.7

Future dividends
Future dividends on our ordinary shares, if any, will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant, as well as our ability to pay dividends in compliance with the Irish Companies Act. Under the Irish Companies Act, dividends and distributions may only be made from distributable reserves. Distributable reserves, broadly, means the accumulated realised profits of Allegion plc. In addition, no distribution or dividend may be made unless the net assets of Allegion plc are equal to, or in excess of, the aggregate of Allegion plc's called up share capital plus non - distributable reserves and the distribution does not reduce Allegion plc's net assets below such aggregate.

13. FINANCIAL INSTRUMENTS

The Company does not undertake hedging activities on behalf of itself or any other companies within the Group.

14. GUARANTEES

On 4 October 2013, Allegion US Holding Company Inc. completed the offering of 5.75% senior notes in the aggregate principal amount of $300.0 million maturing in 2021. As of 31 December 2015, the full balance of $300 million remains outstanding.

The five-year Senior Secured Revolving Credit Facility includes up to $100.0 million available for the issuance of letters of credit. As of 31 December 2015, letters of credit to a value of $26.6 million have been issued.

Allegion plc has guaranteed the above borrowings and letters of credit of group undertakings, and the amounts total $326.6 million as of 31 December 2015.

Note 24 of the Consolidated Financial Statements provides additional details of loans of borrowings in the Group.

15. RELATED PARTY TRANSACTIONS

The Company has not disclosed any other related party transactions as it has availed of the exemption available under the provisions of FRS 102 Section 33.1A “Related Party Disclosures” which exempts disclosure of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by a member of that group.

16. SUBSEQUENT EVENTS

Dividends declared
On 4 February 2016, the Group's Board of Directors (the Board) declared a quarterly dividend of $0.12 cents per ordinary share. The dividend was paid on 31 March 2016 to shareholders of record on 16 March 2016, a total of 95.7 million shares and a total dividend amount of $11.5 million.

Share repurchases
During February and March 2016, the Group repurchased and cancelled 499,495 ordinary shares of $0.01 each, at a weighted average price of $60.06.

Dividend income
During March 2016 the Company received dividends of $10.0 million from its direct subsidiary Allegion Irish Holding Company Limited.

17. NEW IRISH GAAP FRAMEWORK

This is the first year that the Company has presented its results under FRS 102. The last financial statements under Irish GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There were no measurement adjustments arising from the Company's transition to FRS 102 as at 1 January 2014 or at the comparative date of 31 December

2014. Therefore, the profit for the financial year ended 31 December 2014 and total equity as at 1 January 2014 and 31 December 2014 remains consistent under FRS 102 with that which was previously reported under Irish GAAP.

18. APPROVAL OF FINANCIAL STATEMENTS

The Company financial statements were approved by the Board of Directors of the Company on 7 April 2016.