

ABB HOLDINGS LIMITED

Reports and Financial Statements
31 December 2017

Registered Number: 2923872

THURSDAY



A14 *A750UPLD* #355
10/05/2018
COMPANIES HOUSE

Registered No. 2923872

DIRECTORS

ID Rennie
LM Andersson
IG Funnell

SECRETARY

VA Mac Lean

AUDITOR

Ernst & Young LLP
No.1 Colmore Square
Birmingham
B4 6HQ

BANKERS

HSBC Bank plc
City of London Branch
60 Queen Victoria Street
London
EC4N 4TR

REGISTERED OFFICE

Daresbury Park
Daresbury
Warrington
Cheshire
WA4 4BT

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The results for the year are set out on page 8. The loss for the year after taxation amounted to £10,245,000 (2016: profit £17,341,000).

PRINCIPAL ACTIVITIES, REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Company is a member of the ABB Group and is a holding company for the UK and Ireland companies within the Group. Its principal asset is its wholly owned subsidiary, ABB Limited which supplies projects, products and associated service operations in the areas of power and automation technologies to utilities and industrial customers. The Company received dividends of £7,832,000 (2016: £17,365,000) from its subsidiaries during the year.

The Directors do not anticipate any significant changes in the future activities of the Company.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company are in the areas of market competition, operational delivery, safety and finance in the Company's subsidiaries.

The management teams in those subsidiaries, which are set out in note 11, operate a comprehensive risk review process to address all commercial, delivery and financial aspects of both prospects in pursuit and projects in execution. They also specifically monitor and review all aspects of health and safety on a monthly basis. Extensive training of all staff is undertaken to reduce the risk of failure to comply with best practice or legislative standards which could have a material impact on the Company's licence to operate.

Financial risks are addressed as part of a stringent process of budgeting and forecasting. Credit assessments are made of all new customers and appropriate limits set and monitored. A rolling forecast of cash flows is maintained and any temporary shortfalls are supported by a revolving credit facility with the ultimate parent company's treasury centre.

The subsidiaries have transactional currency exposures arising from sales and purchases in foreign currencies. It is group policy to hedge all contracted exposures plus at least 50% of forecast foreign currency sales of standard products over a rolling 12 month period, by taking forward foreign currency contracts.

By order of the Board



Victoria Mac Lean
Secretary

Dated 17 April 2018

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2017.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and subsequently were:

ID Rennie
LM Andersson
IG Funnell

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has granted indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

DIVIDENDS

The Company paid a dividend of £7,832,000 in respect of 2017 (2016: £15,116,000).

GOING CONCERN

The Directors consider the Company has adequate resources to continue in operation for the foreseeable future. In reaching this conclusion the Directors have considered that the Company's activities are closely aligned to those of its subsidiary company, ABB Limited, in which UK trading operations are held, such that the matters considered for ABB Limited are relevant to the Company. The Directors have reviewed budgets and other financial information of ABB Limited and as a result they continue to adopt the going concern basis in preparing the accounts.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

During 2017, ABB announced that its Board has decided to appoint KPMG as its external auditor effective for the financial year 2018.

A resolution to appoint KPMG LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Victoria Mac Lean
Secretary

Dated

17 APRIL 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law the Directors have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), (United Kingdom Accounting standards and applicable law).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABB HOLDINGS LIMITED

Opinion

We have audited the Financial Statements of ABB Holdings Limited for the year ended 31 December 2017 which comprise the Statement of Profit and Loss and other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABB HOLDINGS LIMITED (continued)

Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABB HOLDINGS LIMITED (continued)

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>.



Signature

Nigel Meredith (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

Date: *2 May 2018*

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017


| | <i>Notes</i> | <i>2017</i> £'000 | <i>2016</i> £'000 |
|---|--------------|------------------------|----------------------|
| TURNOVER | 3 | 58 | 239 |
| Cost of sales | | <u>(282)</u> | <u>(188)</u> |
| GROSS (LOSS) / PROFIT | | (224) | 51 |
| Net operating income | | <u>994</u> | <u>31</u> |
| | | | - |
| OPERATING PROFIT | 4 | 770 | 82 |
| Impairment of Investments | | (18,700) | - |
| (LOSS) / PROFIT BEFORE INTEREST AND TAXATION | | (17,930) | 82 |
| Dividend income from shares in Group undertakings | | 7,832 | 17,365 |
| Interest receivable | 6 | 886 | 933 |
| Interest payable | 7 | <u>(843)</u> | <u>(1,043)</u> |
| (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (10,055) | 17,337 |
| Tax on (loss) / profit | 8 | <u>(190)</u> | <u>4</u> |
| (LOSS) / PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION | | (10,245) | 17,341 |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR | | <u><u>(10,245)</u></u> | <u><u>17,341</u></u> |

All turnover and operating (loss) / profit in both years relate to continuing operations.

BALANCE SHEET
 at 31 December 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|-------|----------------|-----------------|
| FIXED ASSETS | | | |
| Tangible assets | 10 | 174 | 185 |
| Investments | 11 | 509,060 | 509,060 |
| Other non-current assets | 11 | 1,909 | 3,027 |
| | | <u>511,143</u> | <u>512,272</u> |
| CURRENT ASSETS | | | |
| Debtors | 12 | 22,171 | 10,479 |
| Cash at bank and in hand | | 1,468 | 5,111 |
| | | <u>23,639</u> | <u>15,590</u> |
| CREDITORS: amounts falling due within one year | 13 | (725) | (60,728) |
| NET CURRENT ASSETS/ (LIABILITIES) | | <u>22,914</u> | <u>(45,138)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 534,057 | 467,134 |
| CREDITORS: amounts falling due after more than one year | 14 | (95,000) | (10,000) |
| Provisions for liabilities | 15 | - | - |
| NET ASSETS | | <u>439,057</u> | <u>457,134</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 226,014 | 226,014 |
| Capital reserve account | | 2 | 2 |
| Profit and loss account | | 213,041 | 231,118 |
| EQUITY SHAREHOLDER'S FUNDS | | <u>439,057</u> | <u>457,134</u> |

These Financial Statements were approved on behalf of the Board on the date shown below.



Lena Andersson
Director

Dated 17 April 2018

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

| | Called up Share Capital | Capital Reserve Account | Profit and Loss Account | Total |
|-------------------------------|-------------------------------|-------------------------------|----------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2016 | | | | |
| Dividend paid | 226,014 | 2 | 228,893 | 454,909 |
| Profit for the financial year | - | - | (15,116) | (15,116) |
| Other comprehensive income | - | - | 17,341 | 17,341 |
| At 31 December 2016 | <u>226,014</u> | <u>2</u> | <u>231,118</u> | <u>457,134</u> |
| Dividends paid | - | - | (7,832) | (7,832) |
| Loss for the financial year | - | - | (10,245) | (10,245) |
| Other comprehensive income | - | - | - | - |
| At 31 December 2017 | <u>226,014</u> | <u>2</u> | <u>213,041</u> | <u>439,057</u> |

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006.

The Financial Statements have been prepared under the historical cost convention.

The Company's Financial Statements are presented in pound sterling and values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The Financial Statements were approved for issue by the Board of Directors on 14 March 2018.

Group accounting

The Company has taken advantage of the exemption under S.401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of ABB Ltd, a company incorporated in Switzerland. A copy of the accounts of ABB Ltd can be obtained from PO Box 8131, CH-8050, Zurich, Switzerland.

The principal accounting policies adopted by the Company are set out in note 2.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2017.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 Presentation of Financial Statements;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property;
- (d) the requirements of paragraphs 10(d), 10(f), 16, 38(a) to 38(d), 40(a) – 40(d), 111 and 134 – 136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party 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 such a member; and
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) – 134(f) and 135(c) – 135(e) of IAS 36 Impairment of Assets.

2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the Financial Statements:

Impairment of investments

An annual assessment is made as to whether the current carrying value of investments is impaired. Detailed calculations are performed based on discounting expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement.

2.3 Significant accounting policies

Going concern

The Directors consider the Company has adequate resources to continue in operation for the foreseeable future. In reaching this conclusion the Directors have considered that the Company's activities are closely aligned to those of its subsidiary company, ABB Limited, in which UK trading operations sit, such that the matters considered for ABB Limited are relevant to the Company. The Directors have reviewed budgets and other financial information of ABB Limited and as a result they continue to adopt the going concern basis in preparing the accounts.

Revenue recognition

Revenue on contracts is recognised on a time and material basis at the contracted rate as labour hours are delivered and direct expenses are incurred.

Interest income

Revenue is recognised as interest accrues.

Dividends

Revenue is recognised when the right to receive payment is established.

2.3 Significant accounting policies (continued)

Investment property

Investment properties are measured wholly at cost, including transaction costs. Subsequent to initial recognition the company has elected to measure investment property at cost less accumulated depreciation, and accumulated impairment losses, if any.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on disposal are recognised in the income statement in the period of derecognition.

Depreciation is provided on all investment properties, except for freehold land, at rates calculated to write off cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

| | |
|------------------------------|-----------------------|
| Freehold buildings | - 15 to 50 years |
| Leasehold land and buildings | - over the lease term |

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments in subsidiary companies are held at cost less any applicable provision for impairment.

Stocks

Work in progress on projects is stated at the lower of costs and not realisable value. Cost is measured as the cost of direct material and labour plus any attributable overheads.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Operating leases

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Financial Instruments

The Company uses forward currency contracts to hedge its risks associated with foreign currency. The contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Intercompany loans are recognised initially at fair value and subsequently carried at amortised cost; any difference between proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. **TURNOVER AND SEGMENTAL ANALYSIS**

Turnover represents the rental income derived from the properties owned or leased (under operating leases) by the Company and revenue from projects, stated net of value added tax.

Turnover, (loss) / profit on ordinary activities before tax and net assets are analysed as follows:

| | 2017 £'000 | 2016 £'000 |
|---|-----------------|---------------|
| Turnover | | |
| Process Automation (all Rest of the World) | (17) | 164 |
| Other non trading divisions (all UK) | <u>75</u> | <u>75</u> |
| Total | <u>58</u> | <u>239</u> |
| Operating profit | | |
| Process Automation (all Rest of the World) | (275) | 23 |
| Other non trading divisions (all UK) | <u>1,045</u> | <u>59</u> |
| Operating profit | 770 | 82 |
| Impairment of Investments | (18,700) | - |
| Dividend income | 7,832 | 17,365 |
| Net interest | <u>43</u> | <u>(110)</u> |
| (Loss) / Profit on ordinary activities before taxation | <u>(10,055)</u> | <u>17,337</u> |

Net assets held outside the UK are not material.

4. **OPERATING PROFIT**

This is stated after charging:

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Depreciation of tangible fixed assets | 11 | 10 |
| Release of provision against intergroup loan | 1,000 | - |
| Net loss / (gain) on foreign currency transactions | <u>220</u> | <u>(81)</u> |

Auditor's remuneration of £8,000 (2016: £8,000) is not allocated to the Company and is disclosed in the accounts of ABB Limited.

The Company has no employees (2016: nil) and therefore no staff costs (2016: nil).

5. DIRECTORS' REMUNERATION

All of the Directors of the Company are employees of its subsidiary ABB Limited. Their emoluments are not allocated to the Company and are disclosed in the accounts of ABB Limited as follows:

| | <i>2017</i> <i>£'000</i> | <i>2016</i> <i>£'000</i> |
|--|-----------------------------|-----------------------------|
| Emoluments (excluding pension contributions) | <u>979</u> | <u>1,543</u> |

One Director (2016: one) was a member of the Company's defined benefit pension scheme. Two of the Directors participate in defined contribution schemes.

| | <i>2017</i> <i>£'000</i> | <i>2016</i> <i>£'000</i> |
|---|-----------------------------|-----------------------------|
| Highest paid Director : | | |
| Emoluments (excluding pension contributions) | 354 | 687 |
| Accumulated accrued defined benefit pension at year end | <u>-</u> | <u>92</u> |

6. INTEREST RECEIVABLE

| | <i>2017</i> <i>£'000</i> | <i>2016</i> <i>£'000</i> |
|---------------------------|-----------------------------|-----------------------------|
| Group interest receivable | <u>886</u> | <u>933</u> |
| | <u>886</u> | <u>933</u> |

7. INTEREST PAYABLE

| | <i>2017</i> <i>£'000</i> | <i>2016</i> <i>£'000</i> |
|------------------------|-----------------------------|-----------------------------|
| Group interest payable | 843 | 879 |
| Other interest payable | - | 164 |
| | <u>843</u> | <u>1,043</u> |

8. TAX ON (LOSS) / PROFIT

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| The tax charge is made up as follows : | | |
| UK corporation tax | (33) | (7) |
| Adjustment to prior years | 6 | - |
| | <u>(27)</u> | <u>(7)</u> |
| Overseas taxes | | |
| Adjustment to prior years | 217 | 3 |
| | <u>217</u> | <u>3</u> |
| Total current tax | <u>190</u> | <u>(4)</u> |
| Tax on (loss) / profit | <u>190</u> | <u>(4)</u> |

Factors affecting current tax charge

The tax charged on the (loss) / profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are reconciled below:

| | 2017 £'000 | 2016 £'000 |
|---|-----------------|---------------|
| (Loss) / Profit before taxation | <u>(10,056)</u> | <u>17,337</u> |
| (Loss) / Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%) | (1,936) | 3,467 |
| Expenses not deductible for tax purposes | 3,410 | 3 |
| Dividend income - non taxable | (1,507) | (3,473) |
| Tax under provided in previous years | 6 | 3 |
| Incremental overseas taxes arising | 217 | - |
| Foreign tax credit | - | (4) |
| Total current tax | <u>190</u> | <u>(4)</u> |

There are no recognised or unrecognised deferred taxes.

The Finance (No 2) Act 2015 was enacted on 18 November 2015 including a provision to reduce the UK corporation tax rate to 19% from 1 April 2017. A further reduction to 18% from 1 April 2020, was also enacted at this time.

The Finance Act 2016 was enacted on 15 September 2016 and this further reduced the UK corporation tax rate to 17% from 1 April 2020.

9. DIVIDEND PAID

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Declared and paid during the year : | | |
| Final dividend for 2017 : 34.7p (2016 : 66.9p) | <u>7,832</u> | <u>15,116</u> |

10. TANGIBLE FIXED ASSETS

| | <i>Investment Properties £'000</i> |
|--|--|
| Cost: | |
| At 1 January 2017 and 31 December 2017 | <u>345</u> |
| Depreciation: | |
| At 1 January 2017 | 160 |
| Charged during year | <u>11</u> |
| At 31 December 2017 | <u>171</u> |
| Net Book Value at 31 December 2017 | <u>174</u> |
| Net Book Value at 31 December 2016 | <u>185</u> |

The net book value of land and buildings consisted of :

| | <i>2017 £'000</i> | <i>2016 £'000</i> |
|----------------|-----------------------|-----------------------|
| Freehold | 110 | 110 |
| Long leasehold | <u>64</u> | <u>75</u> |
| | <u>174</u> | <u>185</u> |

The fair value of the Company's investment properties at 31 December 2017 amounted to £300,000 (2016: £300,000). This value has been determined by external independent property valuers, having appropriate recognised professional qualifications and recent experience in the sectors and category of the properties being valued based on applying observable market values of comparable properties.

Revenue generated from investment properties, direct operating expenses related to the generation of rental income and direct operating expenses not related to the generation of rental income are not material to the financial statements.

There are no restrictions on the ability to realise investment property or the remittance of income and proceeds of disposal and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Company had no capital commitments not provided at 31 December 2017 (2016: £nil). There were no commitments taken by the Company on behalf of the subsidiary undertakings, and no finance leases or similar commitments, other than as reflected in the accounts.

11. INVESTMENTS AND OTHER NON-CURRENT ASSETS

| | 2017 £'000 | 2016 £'000 |
|--|----------------|----------------|
| Investments in subsidiaries at cost | 509,060 | 509,060 |
| Restricted Cash deposits | 1,909 | 3,027 |
| Total Investments and other non-current assets | <u>510,969</u> | <u>512,087</u> |

(a) Investments in Subsidiaries

| | <i>Subsidiary undertakings</i> £'000 |
|--|---|
| Cost | |
| At 1 January 2016 and 31 December 2017 | 551,075 |
| Additions | 18,700 |
| At 31 December 2017 | <u>569,775</u> |
| Amounts Provided: | |
| At 1 January 2017 | 42,015 |
| Impairment in year | 18,700 |
| At 31 December 2017 | <u>60,715</u> |
| Net book value at 31 December 2017 | <u>509,060</u> |
| Net book value at 31 December 2016 | <u>509,060</u> |

During the year the Company was allotted 3 million £1 shares in its subsidiary ABB Combined Heat and Power Limited for a total consideration of £18,700,000 in satisfaction of its loan to that Company. The Company has subsequently recognised an impairment of £18,700,000 on this investment.

(b) Restricted Cash

| | 2017 £'000 | 2016 £'000 |
|-----------------|---------------|---------------|
| Restricted cash | <u>1,909</u> | <u>3,027</u> |

The Company holds £1,909,000 (2016: £3,027,000) in a restricted bank account set aside for meeting its future obligations under non-cancellable operating leases. This was required, following the payment of a dividend during 2011, as part of the Court Order approving a capital reduction in 2010.

11. INVESTMENTS (continued)

The subsidiaries and associated undertakings of the Company are as follows:

| | <i>Country of registration (see below)</i> | <i>Registered Office</i> |
|-------------------------------------|--|---|
| <i>Direct</i> | | |
| ABB Limited | (i) | Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT |
| ABB Investments Limited | (i) | Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT |
| ABB Combined Heat and Power Limited | (i) | Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT |
| ABB Limited | (ii) | Belgard Road, Tallaght, Dublin 24, Ireland |
| <i>Indirect</i> | | |
| ABB Enterprise Software Limited | (i) | Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT |
| Dynamotive Limited | (i) | Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT |
| Thomas & Betts Limited | (i) | 27/28 Eastcastle Street, London, W1W 8DH |
| WJ Furse & Co Limited | (i) | 27/28 Eastcastle Street, London, W1W 8DH |
| Cable Management Products Limited | (i) | 27/28 Eastcastle Street, London, W1W 8DH |
| PMA UK Limited | (i) | 27/28 Eastcastle Street, London, W1W 8DH |
| ABB Service Limited | (i) | Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT |
| ABB Motion UK Limited | (i) | Mint Motion Centre, 6 Bristol Distribution Park, Hawkley Drive, Bristol, BS32 0BF |
| ABB Automation Limited | (i) | Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT |
| ABB Instrumentation Limited | (i) | Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT |
| ABB Power T&D Limited | (iii) | Hareness Road, Alterns, Aberdeen, Scotland, AB12 3LE |
| Gratte Barrett & Wright Limited | (i) | 2 Regents Wharf, All Saints Street, London, N1 9RL |

The proportion of nominal value or ordinary shares held is 100% for all the subsidiaries listed above, with the exception of Gratte Barrett & Wright Limited where the proportion is 40%.

Country of Registration

- (i) These companies are registered in England and Wales
- (ii) This company is registered in Ireland
- (iii) This company is registered in Scotland

12. DEBTORS

| | 2017 £'000 | 2016 £'000 |
|--------------------------------------|---------------|---------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 22,157 | 10,460 |
| Other debtors | - | 15 |
| Prepayments and accrued income | 14 | 4 |
| Corporation tax receivable | 391 | - |
| | <u>22,171</u> | <u>10,479</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

13. **CREDITORS:** amounts falling due within one year

| | 2017 £'000 | 2016 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 16 | 5 |
| Amounts owed to group undertakings | 413 | 60,610 |
| Other creditors | 203 | 1 |
| Accruals | 60 | 50 |
| Taxation | 33 | 62 |
| | <u>725</u> | <u>60,728</u> |

In the prior year, the amounts owed to group undertakings included three loans. One was a term loan of £40,000,000 provided to the Company which matured on 17 September 2017. The loan attracted interest at 1.3% per annum payable quarterly in arrears on outstanding balances until repaid. The second was a term loan of £10,000,000 which matured on 28 July 2017 and which attracted interest at a variable rate based on 3 months GBP LIBOR plus a market based margin assessed annually by ABB Group. The final loan was a term loan of £10,000,000 which matured on 23 July 2017 and attracted interest at 1.4% per annum payable quarterly in arrears on outstanding balances until repaid. These loans were all repaid during the current year.

14. **CREDITORS:** amounts falling due after more than one year

| | 2017 £'000 | 2016 £'000 |
|-----------------------------------|---------------|---------------|
| Amounts due to group undertakings | <u>95,000</u> | <u>10,000</u> |

The amounts owed to group undertakings includes the amount of £95,000,000 drawn down to date (2016: £nil) against a £95,000,000 (2016: £nil) revolving credit facility provided to the Company. The facility expires on 24 November 2022 and attracts interest at a variable rate based on LIBOR plus a market based rate assessed annually by ABB Group. A second loan of £10,000,000 disclosed in amount falling due after one year in 2016 was repaid during the year. This loan attracted interest at a variable rate based on 3 months GBP LIBOR plus a market based margin assessed annually by the ABB Group

The fair value of these loans at inception was not materially different from the loan amount. The loans have therefore been recorded at the original loan amount.

15 **PROVISIONS FOR LIABILITIES**

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Provisions at 1 January | - | 392 |
| Released | - | (205) |
| Utilised | - | (187) |
| Charged to P&L account during the year | - | - |
| Provisions at 31 December | <u>-</u> | <u>-</u> |

16. SHARE CAPITAL

| Ordinary shares of £1 each | 2017 No. | 2016 No. | 2017 £'000 | 2016 £'000 |
|------------------------------------|--------------------|--------------------|----------------|----------------|
| Authorised | <u>226,014,003</u> | <u>226,014,003</u> | <u>226,014</u> | <u>226,014</u> |
| Allotted, called up and fully paid | <u>226,014,003</u> | <u>226,014,003</u> | <u>226,014</u> | <u>226,014</u> |

17. CONTINGENT LIABILITIES

At 31 December 2017 there were no outstanding contingent liabilities in respect of the Company (2016: £nil), other than the matters detailed below:

Guarantees related to contracts undertaken by subsidiary companies

In accordance with industry practice guarantees of performance under contracts with customers and under offers on tenders are given.

Such guarantees can, in the normal course, extend from the tender period until the final acceptance by the customer, and the end of the warranty period and may include guarantees on project completion, of contract specific defined performance criteria or plant availability.

The guarantees are provided by banks or surety companies by way of performance bonds, surety bonds and letters of credit and are normally for defined amounts and periods. At 31 December 2017, the guarantees amounted to £nil (2016: £nil).

The Company provides a counter indemnity to the bank or surety company.

Projects for which the guarantees are given are regularly reviewed by management and when it becomes probable that payments pursuant to performance guarantees will be required to be made, accruals are recorded in the Financial Statements at that time.

The activities of a subsidiary company, ABB Limited, are partially contract based. The Company issues parent company guarantees on certain of those contracts to meet any liabilities if the subsidiary is in breach of its contractual obligations. There have been no breaches of which the Directors are aware and therefore no liability in relation to these at 31 December 2017 (2016: £nil).

Suspect payments

As a result of an internal investigation, ABB Ltd, Switzerland, on behalf of its consolidated subsidiaries, including the Company, self-reported to the Securities and Exchange Commission (SEC) and the Department of Justice (DoJ) in the United States as well as to the Serious Fraud Office (SFO) in the United Kingdom concerning certain of its past dealings with Unaoil and its subsidiaries, including alleged improper payments made by these entities to third parties. The SFO has commenced an investigation into this matter. The Company is cooperating fully with the authorities. At this time, it is not possible for the Company to make an informed judgment about the outcome of these matters.

18 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred by paragraph 17 of IAS 24 in that transactions with other wholly owned group companies are not disclosed. There were no other related party transactions in 2017 (2016: £nil).

19 ULTIMATE HOLDING COMPANY

The ultimate parent undertaking is ABB Ltd, a company incorporated in Switzerland. This is the largest and smallest group in which ABB Holdings Limited is consolidated. A copy of the accounts can be obtained from PO Box 8131, CH-8050, Zurich, Switzerland, which is the registered office of ABB Ltd.