DYNAMOTIVE LIMITED

Annual Report and Financial Statements

31 December 2018

Registered Number: 03548021

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Registered No. 03548021

DIRECTORS

DJ Hughes
ME Moussa
VA Mac Lean

SECRETARY

VA Mac Lean

AUDITOR

KPMG LLP
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Manchester
M2 3AE

BANKERS

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

REGISTERED OFFICE

Daresbury Park
Daresbury
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WA4 4BT

STRATEGIC REPORT

The Directors present their Strategic Report for Dynamotive Limited ('the Company') for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The results for the year are set out on page 10. The loss for the year after taxation amounted to £1,141,000 (2017: profit £35,000).

The company did not pay a dividend in respect of 2018 (2017: £nil).

PRINCIPAL ACTIVITIES

The Company is a member of the ABB Group and is owned by ABB Limited, a company registered in England and Wales.

The principal activity of the Company in the year was the design, commissioning and upgrading of systems of drives, controls and motors for industrial and marine applications and automotive test rigs .

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Company's turnover comprises delivery of projects, sale of products and associated service operations. Many of the products sold during the year, either directly or as part of integrated projects, are manufactured by the Company in the UK and ABB facilities overseas. The ABB Group is organised on worldwide business lines and individual budgets and targets are set for each business.

The Company's key performance indicators during the year were:

	2018	**2017**	**Change**
	£'000	£'000	%.
Turnover from continuing operations	8,948	6,805	31
Operating (loss) / profit from continuing operations	(1,387)	76	(1,925)
Shareholder's funds	632	1,773	(64)

The increase in turnover year on year is primarily driven by increased revenue recognised on the Company's larger projects undertaken in 2018 and an increase in revenue from service activities over the prior year.

Profitability has decreased from the prior year mainly due to the mix between project and servicing revenues in the business and challenges in project execution.

Shareholder's funds have decreased in line with the decrease in profitability.

Orders received in 2018 showed a 26% increase over the prior year due to the receipt of increased project orders from ABB companies outside the UK. The impact of these orders, which ae focussed on Engineering Solutions is expected to be realised in 2019.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (continued)

RISKS AND UNCERTAINTIES

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

The management team operates a comprehensive risk review process to address all commercial, delivery and financial aspects of both prospects in pursuit and projects in execution. It also specifically monitors and reviews 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 Company has transactional currency exposures arising from sales and purchases in foreign currencies. It is Company policy, as part of the ABB Group, to hedge all contracted exposures by taking forward foreign currency contracts.

IMPACT OF BREXIT

The formal process governing the U.K.'s departure from the E.U., commonly referred to as 'Brexit', began on March 29, 2017. Discussions between the U.K. and the E.U. are ongoing. The effects of Brexit, uncertainty regarding the ultimate terms of Brexit and perceptions as to the impact of the withdrawal of the U.K. from the E.U. have affected, and may continue to affect, business activity, political stability and economic and market conditions in the U.K., the Eurozone, the E.U. and elsewhere and could contribute to instability in global financial and foreign exchange markets. Implications and consequences may adversely affect our business and results of operations.

By order of the Board

Victoria MacLean

Victoria Mac Lean
Company Secretary

Date 29 January 2020

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31 December 2018.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and subsequently were:

DJ Hughes	Appointed 2 December 2019
ME Moussa	Appointed 2 December 2019
VA Mac Lean	Appointed 2 December 2019
LM Andersson	Resigned 2 December 2019
IG Funnell	Resigned 2 December 2019

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 did not pay an interim dividend in respect of 2018 (2017: £nil).

POLITICAL AND CHARITABLE DONATIONS

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

AUDITOR

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

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

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.

By order of the Board

Victoria MacLean

Victoria Mac Lean
Company Secretary

Date 29 January 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE REPORTS AND 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 year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101).

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 those 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 whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matter related to group concerns; and
- use the going concern basis of accounting unless they intend to liquidate the Company or to cease operations, or have realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DYNAMOTIVE LIMITED

Opinion

We have audited the financial statements of Dynamotive Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure* 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the carrying value of assets and liabilities, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financialstatements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Antony Whittle (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

30 January 2020

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
TURNOVER	3	8,948	6,805
Cost of sales		(9,082)	(5,614)
GROSS PROFIT		(134)	1,191
Administrative expenses		(1,253)	(1,115)
OPERATING (LOSS) / PROFIT	4	(1,387)	76
Interest payable	6	(18)	(13)
(LOSS) / PROFIT BEFORE TAXATION		(1,405)	63
Tax on loss / (profit)	7	264	(28)
(LOSS) / PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		(1,141)	35
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		(1,141)	35

All turnover and (loss) / profit is from continuing operations.

The notes on pages 13 to 23 form part of these Financial Statements.

BALANCE SHEET
at 31 December 2018

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Tangible assets	8	343	40
CURRENT ASSETS			
Stocks	9	234	358
Debtors: amounts falling due within one year	10	6,349	3,415
Cash at bank and in hand		249	316
		6,832	4,089
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	12	(5,606)	(2,348)
NET CURRENT ASSETS		1,226	1,741
TOTAL ASSETS LESS CURRENT LIABILITIES		1,569	1,781
PROVISIONS FOR LIABILITIES	13	(937)	(8)
NET ASSETS		632	1,773
CAPITAL AND RESERVES			
Called up share capital	15	11	11
Capital redemption reserve		1	1
Profit and loss account		620	1,761
EQUITY SHAREHOLDER'S FUNDS		632	1,773

The notes on pages 13 to 23 form part of these financial statements

These financial statements were approved on behalf of the Board and authorised for issue on the date shown below.

Victoria Mac Lean

Victoria Mac Lean
Director

Date 29 January 2020

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Called up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	11	1	1,726	1,738
Profit for the financial year	-	-	35	35
Other comprehensive income	-	-	-	-
At 1 January 2018	11	1	1,761	1,773
Loss for the financial year	-	-	(1,141)	(1,141)
Other comprehensive income	-	-	-	-
31 December 2018	11	1	620	632

The notes on pages 13 to 23 form part of these Financial Statements

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

The Company's 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 are presented in Sterling and values rounded to the nearest thousand except where indicated otherwise.

The Financial Statements were approved for issue by the Board of Directors on 29 January 2020

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

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

(a) 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;
(c) the requirements of paragraphs 10(d), 10(f), 16, 38(a) - 38(d), 40(a) - 40(d), 111 and 134 - 136 of IAS 1 Presentation of Financial Statements;
(d) the requirements of IFRS 7 Financial Instruments Disclosures;
(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; and
(g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have obtained confirmation, that if required, additional funding would be provided from the Company's immediate parent company, ABB Limited, to meet its liabilities as they fall due for a period of 12 months from the date of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Accounting Policies (continued)

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.

This does not mean that every accounting judgement should be disclosed. However, disclosure would be appropriate in cases where the accounting outcome is materially different dependent on the judgement taken.

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

2.3 Significant Accounting Policies

Revenue recognition

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Where calculated turnover is in excess of amounts invoiced to the customer an asset is recognised in the balance sheet as sales in excess of invoicing. Where a payment is received in advance of work done a liability is recognised on the balance sheet as billings in excess of sales.

Short term construction-type contracts, or long term contracts for which reasonably dependable estimates cannot be made, are accounted for under the completed contract method under which turnover is recognised upon substantial completion. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Revenue is recognised on services sales at the time the service has been rendered or in the case of period service contracts, using a proportional method over the life of the contract.

On 1st January 2018 the Company adopted the new IFRS15 standard on revenue recognition. The adoption did not have a material impact on the revenue recognized.

The Company recognises revenue when it transfers the control over a good or service to a customer. The control is deemed to be transferred when the customer has the ability to direct the use of the asset or has the ability to obtain substantially all of the remaining benefits from that good or service.

Revenue is recognised on long term contracts over time as control is transferred. The basis used to determine the progress of the transfer of control is cost incurred.

Revenue is recognised on short term construction type contracts at a point in time when the customer has control over substantially all the remaining benefits from the contract.

Revenue is recognised on product sales on delivery of goods.

Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

Interest income

Income is recognised as interest accrues.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, at rates calculated to write off cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Computer software	- 3 years
Machinery, equipment and vehicles	- 3 -15 years

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

Stocks

Work in progress on contracts and finished goods are 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.

Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliability the expenditure during development.

Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date.

3. TURNOVER AND SEGMENTAL ANALYSIS

The turnover and profit before taxation are attributable to the one principle activity of the Company which is the design, manufacture, installation and servicing of electrical equipment..

An analysis of turnover by geographical market is as follows:

	2018 *£'000*	2017 *£'000*
Turnover		
Within the UK	6,270	3,887
Rest of Europe	1,936	1,168
Rest of the World	742	1,750
Total	8,948	6,805

Included in the above is long-term contract revenues of £6,493,000 (2017: £4,113,000)

Notes (continued)

4. OPERATING LOSS / PROFIT

	2018 £'000	2017 £'000
Operating loss / profit is stated after charging:		
Depreciation – owned assets	18	14
Loss on disposal of fixed assets	-	6
Auditor's remuneration	6	8
Net (gain) on foreign currency translation	-	(41)
Rental under operating leases - land and buildings	41	52

5. DIRECTORS' REMUNERATION AND STAFF COSTS

	2018 £'000	2017 £'000
Staff costs		
Wages & Salaries	2,516	2,082
Social Security Costs	323	280
Other Pension costs	128	115
	2,967	2,477

The average number of employees during the period was 36 (2017: 36).

	2018 £'000	2017 £'000
Engineering	29	29
Sales and Marketing	7	7
	36	36

Directors' Remuneration

The Directors are employees of fellow subsidiary companies. No recharge is made for their services, but an allocation of their time spent results in a charge of £29,000 (2017: 33,000) borne by other group entities.

Notes (continued)

6. INTEREST PAYABLE

	2018	*2017*
	£'000	*£'000*
Interest payable to group undertaking	18	13

7. TAX ON (LOSS) / PROFIT

The total taxation (credit) / charge to the profit and loss account is as follows:

	2018	2017
	£'000	*£'000*
Current tax:		
UK corporation tax	-	16
Intercompany tax	(268)	-
Adjustment in respect of prior years	-	15
	(268)	31
Deferred tax:		
Origination and reversal of temporary differences	4	-
Adjustments in respect of prior years	-	(3)
	4	(3)
Taxation on (loss) / profit	(264)	28

Notes (continued)

7 TAX ON (LOSS) / PROFIT (continued)

Factors affecting current tax charge:

The tax charged on the (loss) / profit for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

	Year ended 31 December 2018 *£'000*	Year ended 31 December *2017* *£'000*
(Loss) / profit before tax	(1,405)	63
(Loss) / profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(267)	12
Effects of:		
Expenses not deductible for tax purposes	4	4
Tax under provided in prior year	-	12
Adjustment to opening /closing deferred tax to average rate of 19%	(1)	-
Total tax (credit) / charge	(264)	28

The Company has future tax adjustments in the UK of £22,000 (2017: £51,000) relating to decelerated capital allowances, and of £21,000 (2017: £15,000) relating to other timing differences. Deferred tax assets have been fully recognised in respect of the above noted tax decelerated capital allowances and other timing differences as there is sufficient evidence available to support the future recoverability of these assets.

The deferred tax assets recognised at 31 December 2018 and 2017 are as follows:

	2018 *£'000*	*2017* *£'000*
Decelerated capital allowances	4	9
Other timings differences	3	2
	7	11

The total deferred tax asset recognised of £7,372 (2017: £11,000) is reflected in these accounts as follows:

	Debtors (Note 10) 2018 *£'000*	*Debtors (Note 10) 2017* *£'000*
Opening balance at start of year	11	8
Movement in the year P&L	(4)	3
Closing balance at end of year	7	11

Notes (continued)

7. TAX ON PROFIT (continued)

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

Deferred tax assets have been calculated at 17% as this is the rate expected to apply when these assets reverse based on current and enacted tax rates and law.

8. TANGIBLE FIXED ASSETS

	Computer Software £'000	*Machinery, Equipment & Vehicles £'000*	*Totals £'000*
Cost:			
At 1 January 2018	49	265	314
Additions	3	318	321
At 31 December 2018	52	583	635
Depreciation:			
At 1 January 2018	44	230	274
Charged during the year	2	16	18
At 31 December 2018	46	246	292
Net Book Value at 31 December 2018	6	337	343
Net Book Value at 31 December 2017	5	35	40

9. STOCKS

	2018 £'000	*2017 £'000*
Work in progress	218	287
Finished goods	16	71
	234	358

The difference between purchase price or production cost of stocks and their replacement cost is not material. £116,000 of work in progress relates to long term contracts (2017: £111,000).

Notes (continued)

10. DEBTORS

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Trade debtors	2,265	726
Amounts owed by group undertakings	1,979	2,425
Other debtors	-	1
Amounts recoverable on long term contracts	1,727	142
Prepayments	24	83
Deferred tax (note 7)	7	11
Financial instruments	-	21
Corporation tax	347	6
	6,349	3,415

Amounts owed by group undertakings includes £227,000 (2017: £279,000) relating to amounts recoverable on long term contracts.

Financial instruments relate to the fair value of forward currency exchange contracts which is determined using spot exchange rates matching the maturity of the contracts.

11. LONG TERM CONTRACTS

	2018	2017
	£'000	£'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in debtors (Note 10)	1,954	421
Amounts due from contract customers included in work in progress (Note 9)	116	111
Amounts due to customers included in creditors (Note 12)	(821)	(774)
	1,249	(242)
Contract costs incurred plus profit less recognised losses to date	23,334	16,194
Less: progress billings	(22,085)	(16,436)
	1,249	(242)

At 31 December 2018, retentions held by customers for contract work amounted to £nil (2017: £nil).

Notes (continued)

12. CREDITORS: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	550	220
Customer advances	198	79
Payments on account on long term contracts	525	553
Amounts owed to group undertakings	3,330	581
Taxation and social security	62	69
Other creditors	279	183
Accruals	662	663
	5,606	2,348

Amounts owed to group undertakings includes £296,000 (2017: £221,000) relating to payments on account on long term contracts.

13. PROVISIONS FOR LIABILITIES

	2018
	£'000
Provision at 1 January 2018	8
Released as no longer required	(235)
Charged to profit & loss account during the year	1,164
Provision at 31 December 2018	937

Provisions relate to losses or claims on uncompleted contracts. It is expected that most of these costs will be incurred within three years of the balance sheet date.

14. OBLIGATIONS UNDER OPERATING LEASES

Future minimum rentals payable under non-cancellable operating leases is as follows:

	Land and buildings	
	2018	2017
	£'000	£'000
Within one year	-	27
	-	27

Notes (continued)

15. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each

	2018 *No.*	*2017* *No.*	*2018* *£'000*	*2017* *£'000*
Allotted, called up and fully paid	10,695	10,695	11	11

16. PENSIONS

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the Scheme are held separately from those of the Company in an independently administered fund. The pension cost charges to income of £128,000 (2017: £115,000) represents contributions payable by the Company to the fund. Contributions of £19,000 (2017: £19,000) due in respect of the current period were payable to the fund at the year-end and are included in creditors.

17. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions with fellow subsidiaries. The Company has taken advantage of the exemption contained in paragraph 17 of IAS 24 and has therefore not disclosed these transactions as the group Financial Statements of ABB Ltd are publicly available from the address in note 18, which is the registered office of ABB Ltd. There were no other related party transactions requiring disclosure.

18. ULTIMATE HOLDING COMPANY

The immediate parent company is ABB Limited a company incorporated in England and Wales.

The ultimate holding company is ABB Ltd, a company incorporated in Switzerland. This is the largest and smallest group in which ABB 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.