

DYNAMOTIVE LIMITED

Reports and Financial Statements

31 December 2017

Registered Number: 03548021

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COMPANIES HOUSE

REGISTERED NO. 03548021

DIRECTOR

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 9. The profit for the year after taxation amounted to £235,000 (2016: loss £815,000).

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, manufacture, installation and servicing, and repair of electrical equipment.

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 both the Company in the UK and ABB facilities overseas. The ABB Group is organised on worldwide divisional lines and individual budgets and targets are set for each division

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

	2017	2016	Change
	£'000	£'000	%
Turnover from continuing operations	6,805	5,400	26%
Operating profit / (loss) from continuing operations	76	(1,037)	107%
Shareholder's funds	1,773	1,738	2%

Turnover has increased from the previous year by 26%. The main reason for this is the incidence of revenue recognised on larger projects and an increase in revenue from service activities over the prior year of approximately 33%.

Profitability has increased from the prior year due to the increase in volume combined with the mix of business.

Shareholder's funds have increased in line with the increase in profitability.

STRATEGIC REPORT (CONTINUED)

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.

By order of the Board



Victoria Mac Lean
Company Secretary

Date 24 May 2018

DIRECTORS' REPORT

The Directors present their Report and Financial Statements for the year ended 31 December 2017.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and subsequently were:

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 did not pay an interim dividend in respect of 2017 (2016: £nil).

GOING CONCERN

The Directors consider that the Company has adequate resources to continue in operation for the foreseeable future. In forming this view, the Directors have reviewed budgets and other financial information. For this reason 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
Company Secretary

Date

24 May 2018

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; and
- 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; and

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 DYNAMOTIVE LIMITED

Opinion

We have audited the Financial Statements of Dynamotive Limited for the year ended 31 December 2017 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, 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 DYNAMOTIVE 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 Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have 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 Strategic Report and 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 5, 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.

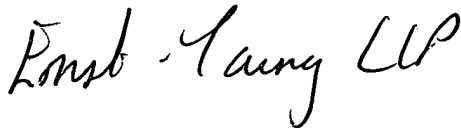
In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DYNAMOTIVE LIMITED *(Continued)*

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: *26 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	6,805	5,400
Cost of sales		<u>(5,614)</u>	<u>(5,447)</u>
GROSS PROFIT / (LOSS)		1,190	(47)
Administrative expenses		<u>(1,115)</u>	<u>(990)</u>
OPERATING PROFIT / (LOSS)	4	76	(1,037)
Interest receivable	6	-	2
Interest payable	7	<u>(13)</u>	<u>-</u>
PROFIT / (LOSS) BEFORE TAXATION		63	(1,035)
Tax on (profit) / loss	8	<u>(28)</u>	<u>220</u>
PROFIT / (LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		35	(815)
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		<u><u>35</u></u>	<u><u>(815)</u></u>

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

The notes on pages 12 to 21 form part of these Financial Statements.

BALANCE SHEET

at 31 December 2017

	Notes	2017 £'000	2016 £'000
FIXED ASSETS			
Tangible assets	9	40	51
CURRENT ASSETS			
Stocks	10	358	322
Debtors: amounts falling due within one year	11	3,415	3,329
Cash at bank and in hand		316	734
		<u>4,089</u>	<u>4,385</u>
CREDITORS: amounts falling due within one year	13	<u>(2,348)</u>	<u>(2,547)</u>
NET CURRENT ASSETS		<u>1,741</u>	<u>1,838</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,781	1,889
PROVISIONS FOR LIABILITIES	14	<u>(8)</u>	<u>(151)</u>
NET ASSETS		<u><u>1,773</u></u>	<u><u>1,738</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	11	11
Capital redemption reserve		1	1
Profit and loss account		1,761	1,726
		<u>1,773</u>	<u>1,738</u>
EQUITY SHAREHOLDER'S FUNDS		<u><u>1,773</u></u>	<u><u>1,738</u></u>

The notes on pages 12 to 21 form part of these Financial Statements

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


Lena Andersson
 Director

Date 24 May 2018

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Called up share capital £'000	Capital redemption reserve £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2016	11	1	2,541	2,553
Loss for the financial year	-	-	(815)	(815)
Other comprehensive income	-	-	-	-
At 1 January 2017	11	1	1,726	1,738
Profit for the financial year	-	-	35	35
Other comprehensive income	-	-	-	-
31 December 2017	11	1	1,761	1,773

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 applicable UK accounting standards and the Companies Act 2006.

The Company's Financial Statements are presented in pound 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 1 May 2018.

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 2017.

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.

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.

There were no judgements (apart from those involving estimates) which had a significant effect on amounts recognised in the Financial Statements during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Accounting Policies (continued)**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.

Construction contracts

Construction contract arrangements are accounted for in accordance with IAS 11. This requires judgements to estimate future expected costs to be incurred. Further details on construction contracts are disclosed in Note 12.

The judgements and estimates regarding recognized revenue and margin are based on estimates of total expected contract revenue and costs, which are subject to revision as the contract progresses. Total expected revenue and costs on a contract reflect management's best estimate of the probable future benefits and obligations associated with the contract.

Whilst the Company makes and regularly reviews assumptions relating to the contract performance, there is the risk that actual outcomes against these assumptions may differ overtime with the result that financial performance already reported may need to be revised, and estimates of future financial performance may also need to be revised.

Interest income

Revenue 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Accounting Policies (continued)**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.

Financial Instruments

The Company uses forward currency contracts to hedge all its risks associated with foreign currency. The contracts are initially recognised at fair value on the date on which the derivative is entered into and 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. All movements in the fair value are recognised in profit or loss.

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.

Deferred taxation

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.

An analysis of turnover by geographical market is as follows:

	2017 £'000	2016 £'000
Turnover		
Within the UK	3,887	1,849
Rest of Europe	1,168	1,719
Rest of the World	1,750	1,832
Total	<u>6,805</u>	<u>5,400</u>

Included in the above is IAS 11 construction contract revenues of £4,113,106 (2016: £3,763,000)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Notes (continued)**4. OPERATING PROFIT / (LOSS)**

	2017 £'000	2016 £'000
Operating profit / (loss) is stated after charging:		
Depreciation – owned assets	14	21
Loss / (Profit) on disposal of fixed assets	6	(10)
Auditor's remuneration	8	8
Net (gain) / loss on foreign currency translation	(41)	523
Rental under operating leases - land and buildings	52	52
	<u>52</u>	<u>52</u>

5. DIRECTORS' REMUNERATION AND STAFF COSTS

	2017 £'000	2016 £'000
Staff costs		
Wages & Salaries	2,082	2,292
Social Security Costs	280	275
Other Pension costs	115	113
	<u>2,477</u>	<u>2,680</u>

The average number of employees during the period was 36 (2016: 36).

	2017 £'000	2016 £'000
Engineering	29	30
Sales and Marketing	7	6
	<u>36</u>	<u>36</u>

Directors' Remuneration

	2017 £'000	2016 £'000
Emoluments	<u>33</u>	<u>62</u>
Highest paid Director Emoluments	<u>18</u>	<u>34</u>

The services of Mr IG Funnell, and Ms LM Andersson as Directors of the Company are allocated to the Company as 5% of the total emoluments received as Directors of ABB Limited. Total emoluments and related pension contributions are disclosed in the statutory accounts of, and borne in their entirety by, ABB Limited.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Notes (continued)**6. INTEREST RECEIVABLE**

	2017 £'000	2016 £'000
Bank deposit interest	<u>-</u>	<u>2</u>

7. INTEREST PAYABLE

	2017 £'000	2016 £'000
Interest payable to group undertaking	<u>13</u>	<u>-</u>

8. TAX ON PROFIT

The total taxation charge to the profit and loss account is as follows:

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax	16	(205)
Adjustment in respect of prior years	<u>15</u>	<u>(17)</u>
	<u>31</u>	<u>(222)</u>
Deferred tax:		
Adjustments in respect of prior years	<u>(3)</u>	<u>2</u>
	<u>(3)</u>	<u>2</u>
Taxation on profit / (loss)	<u>28</u>	<u>(220)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Notes (continued)

8. TAX ON PROFIT (continued)

Factors affecting current tax charge:

The tax charged on the profit / (loss) 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:

	<i>Year ended 31 December 2017 £'000</i>	<i>Year ended 31 December 2016 £'000</i>
Profit / (Loss) before tax	<u>63</u>	<u>(1,035)</u>
Profit / (Loss) multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	12	(207)
Effects of:		
Expenses not deductible for tax purposes	4	4
Tax under / (over) provided in prior year	<u>12</u>	<u>(17)</u>
Total tax charge / (credit)	<u>28</u>	<u>(220)</u>

The Company has future tax adjustments in the UK of £51,000 (2016: £32,000) relating to decelerated capital allowances, and of £15,000 (2016: £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 2017 and 2016 are as follows:

	<i>2017 £'000</i>	<i>2016 £'000</i>
Decelerated capital allowances	9	5
Other timings differences	<u>2</u>	<u>3</u>
	<u>11</u>	<u>8</u>

The total deferred tax asset recognized of £11,000 (2016: £8,000) is reflected in these accounts as follows:

	<i>Debtors (Note 11) 2017 £'000</i>	<i>Debtors (Note 11) 2016 £'000</i>
Opening balance at start of year	8	10
Movement in the year P&L	<u>3</u>	<u>(2)</u>
Closing balance at end of year	<u>11</u>	<u>8</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Notes (continued)**8. TAX ON PROFIT (continued)**

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 that 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.

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.

9. TANGIBLE FIXED ASSETS

	<i>Computer Software</i> £	<i>Machinery, Equipment & Vehicles</i> £	<i>Totals</i> £
Cost:			
At 1 January 2017	53	270	323
Additions	-	11	11
Disposals	(4)	(16)	(20)
At 31 December 2017	49	265	314
Depreciation:			
At 1 January 2017	44	228	272
Charged during the year	1	13	14
Disposals	(1)	(11)	(12)
At 31 December 2017	44	230	274
Net Book Value at 31 December 2017	5	35	40
Net Book Value at 31 December 2016	9	42	51

10. STOCKS

	<i>2017</i> £'000	<i>2016</i> £'000
Work in progress	287	320
Finished goods	71	2
	358	322

The difference between purchase price or production cost of stocks and their replacement cost is not material.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Notes (continued)**11. DEBTORS**

	2017	2016
	£'000	£'000
Amounts falling due within one year		
Trade debtors	726	417
Amounts owed by group undertakings	2,425	1,530
Other debtors	1	263
Amounts recoverable on long term contracts	142	1,061
Prepayments	83	41
Deferred tax (note 8)	11	8
Financial instruments	21	-
Corporation tax	6	9
	<u>3,415</u>	<u>3,329</u>

Amounts owed by group undertakings includes £279,000 (2016: £47,000) 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.

12. CONSTRUCTION CONTRACTS

	2017	2016
	£'000	£'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in debtors (Note 11)	421	1,108
Amounts due from contract customers included in work in progress (Note 10)	111	172
Amounts due to customers included in creditors (Note 13)	(724)	(469)
	<u>242</u>	<u>811</u>
Contract costs incurred plus profit less recognised losses to date	16,194	12,770
Less: progress billings	(16,436)	(11,959)
	<u>(242)</u>	<u>811</u>

At 31 December 2017, retentions held by customers for contract work amounted to £nil (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Notes (continued)

13. CREDITORS: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	220	225
Customer advances	79	83
Payments on account on long term contracts	553	292
Amounts owed to group undertakings	581	885
Taxation and social security	69	63
Other creditors	183	20
Accruals	663	597
Financial instruments	-	382
	<u>2,348</u>	<u>2,547</u>

Amounts owed to group undertakings includes £221,000 (2016: £177,000) relating to payments on account 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.

14. PROVISIONS FOR LIABILITIES

	2017
	£'000
Provision at 1 January 2017	151
Released	(290)
Charged to Profit & Loss account during the year	147
Provision at 31 December 2017	<u>8</u>

Provision relates 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.

15. OBLIGATIONS UNDER OPERATING LEASES

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

	<i>Land and buildings</i>	
	2017	2016
	£'000	£'000
Within one year	27	42
Within two to five years	-	19
In over five years	-	-
	<u>27</u>	<u>61</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Notes (continued)**16. CALLED UP SHARE CAPITAL**

Ordinary shares of £1 each

	2017 No.	2016 No.	2017 £'000	2016 £'000
Authorised	10,695	10,695	11	11
Allotted, called up and fully paid	<u>10,695</u>	<u>10,695</u>	<u>11</u>	<u>11</u>

17. 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 £115,000 (2016: £113,000) represents contributions payable by the Company to the fund. Contributions of £19,000 (2016: £15,000) due in respect of the current period were payable to the fund at the year-end and are included in creditors.

18. 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 19, which is the registered office of ABB Ltd. There were no other related party transactions requiring disclosure.

19. 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.