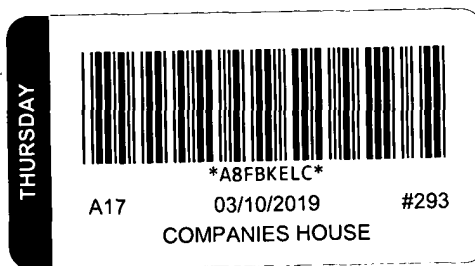


ABB LIMITED

Strategic Report, Director's report and Financial Statements

For the year ended 31 December 2018

Registered Number: 3780764



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ABB Limited

REGISTERED NO: 3780764

DIRECTORS:

L.M. Andersson
I.G. Funnell

SECRETARY:

VA MacLean

AUDITOR:

KPMG LLP
1 Saint Peter's Square
Manchester
M2 3AE

Banker:

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

REGISTERED OFFICE:

Daresbury Park
Daresbury
Warrington
Cheshire
WA4 4BT
United Kingdom

STRATEGIC REPORT

The Directors present their strategic report for ABB Limited ('the Company') for the year ended 31 December 2018.

RESULTS

The results for the year are set out on page 11. Turnover from continuing operations for the year was £426,590 (2017 £447,747). Total turnover for the year from continuing and discontinuing operations was £642,445 (2017 £699,082). The total loss for the year from continuing and discontinuing operations after taxation amounted to £10,983,000 (2017: £43,781,000 profit). The loss for the year after taxation from continuing activities was £7,996,000 (2017: £5,220,000 profit)

PRINCIPAL ACTIVITIES

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

The principal activities of the Company in the year were the provision of solutions for secure, energy-efficient generation, transmission and distribution of electricity and for increasing productivity in industrial, commercial and utility operations.

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 business.

The business segments are:

- 1) Industrial Automation
- 2) Electrification Products
- 3) Robotics and Motion
- 4) Power Grids

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

	2018	2017	Change
	£m	£m	%
Turnover from continuing operations	426.6	447.7	(5)
Operating profit from continuing operations	17.7	24.6	(28)
Shareholder's funds	121.1	211.5	(43)

Macroeconomic developments in the UK and global economy continued to have a mixed effect on the Company's 2018 performance. The utilities market continued to make selective investments in 2018 upgrading the aging power infrastructure and integrating new renewable energy capacity into the grid as well as investing in automation and control solutions to enhance the stability of the grid. In industry, investments in robotics solutions and light industries such as automotive, food and beverage remained positive. Demand from the process industries, specifically oil and gas, invested more in 2018 than in the prior year, although investments remained selective and concentrated on service and productivity improvements. Demand from the transport and infrastructure market was strong in 2018.

During the year the Company transferred certain projects in its turnkey Substation business to Linxon, a new Group joint venture with SNC-Lavalin. Revenues in the remaining business decreased slightly compared to 2017 with all divisions except the Robotics and Motion division showing a decrease due primarily to the pattern of revenue recognition on larger projects. Service revenues (which are generated in all of our business segments, but predominately in Process Automation) decreased by 4% year on year.

STRATEGIC REPORT (continued)

On 28 February 2017 the Company disposed of its Power Cables business.

In December 2018, the Company announced an agreement to divest 80.1 percent of its Power Grids business to Hitachi Ltd. This has been presented as a discontinued operation within the accounts. The divestment is expected to be completed in the first half of 2020, following the receipt of customary regulatory approvals as well as the completion of certain legal entity reorganizations expected to be completed before the sale. Assets and liabilities in the discontinued operation have maintained their existing classification as current or non-current as the sale is not expected to be completed for more than 12 months.

Results from discontinued operations have been separately disclosed on the face of the profit and loss in accordance with FRS 101

On 28 February 2017 ABB Limited disposed of its Power Cables business generating a profit on disposal of £42,689,000. Clearance was sought and obtained, from the UK tax authorities that no taxable gains should arise on the disposal, subject to a confirmatory review of the relevant corporation tax return to be submitted by the Company. Accordingly no provision has been made for tax arising on the transaction. If the UK tax authorities were to ultimately assess the position differently, it may negatively impact the financial statements of the Company.

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 a revolving credit facility with the ultimate parent company's treasury centre would be available if required.

The Company has 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.

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



VA Mac Lean
Secretary

Dated 01 October 2019

DIRECTORS' REPORT

The Directors present their 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:

ID Rennie (resigned 30 April 2019)

LM Andersson

JG Funnell

HEALTH AND SAFETY

The Directors give special attention to the health and safety of their employees. The group's safety policy is supported by a detailed safety manual, the relevant parts of which are supplied to all supervisory staff.

EMPLOYEES

The Company has the policy of providing employees with relevant information about the Company and the group. This has been achieved through various publications circulated throughout the group, the regular distribution of notices and regular meetings of consultative committees. Employees are encouraged to invest in the group through participation in share option schemes.

It is the Company's policy to give full and fair consideration to disabled applicants in recruitment, training and career development and whenever possible to continue the employment of and arrange appropriate facilities for employees who become disabled whilst employed.

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 an interim dividend of £43,781 in respect of 2018 (2017: £nil).

POLITICAL CONTRIBUTIONS

The Company made no political donations or incurred any political expenditure during the year.

ABB Limited

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO THE AUDITOR

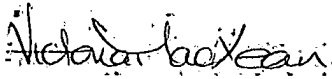
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's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

AUDITOR

During 2018, ABB announced that its Board has decided to appoint KPMG LLP 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



VA Mac Lean
Secretary

Dated 01 October 2019

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

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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;
- 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, matters related to going concern; and
- use 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 ABB LIMITED

Opinion

We have audited the financial statements of ABB Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Profit and Loss, Statement of 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.

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

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 financial statements; 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 7, 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

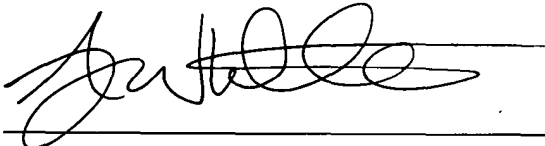
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

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

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

1 October 2019

STATEMENT OF PROFIT AND LOSS

for the year ended 31 December 2018

		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
		2018	2018	2018	2018	2018	2018
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
					As restated	As restated	
Turnover	3	426,590	215,855	642,445	447,747	251,335	699,082
Cost of sales (including pension plan amendment credit of £19,226,000, 2017: nil)	4,27	(362,316)	(216,835)	(579,151)	(380,636)	(255,466)	(636,102)
Gross Profit		64,274	(980)	63,294	67,111	(4,131)	62,980
Net operating expenses	4	(46,619)	(5,044)	(51,663)	(42,480)	(6,675)	(49,155)
Operating profit	5	17,655	(6,024)	11,631	24,631	(10,806)	13,825
Disposal / impairment of investments	16	(19,374)	-	(19,374)	(5,555)	-	(5,555)
Profit on disposal of discontinued business	6	-	1,622	1,622	-	42,689	42,689
Profit before interest, other finance income and taxation		(1,719)	(4,402)	(6,121)	19,076	31,883	50,959
Dividend income		75	-	75	414	-	414
Interest receivable	10	808	-	808	708	3	711
Interest payable and similar charges	11	(3,271)	(139)	(3,410)	(2,722)	(34)	(2,756)
Other finance expense	12	495	-	495	(3,772)	-	(3,772)
Profit on ordinary activities before taxation		(3,612)	(4,541)	(8,153)	13,704	31,852	45,556
Tax on profit on ordinary activities	13	(4,384)	1,554	(2,830)	(8,484)	6,709	(1,775)
Retained profit for the year		(7,996)	(2,987)	(10,983)	5,220	38,561	43,781

The notes on pages 15 - 46 form part of these financial statements.

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

		2018	2017
	Notes	£'000	£'000
Profit for the year		(10,983)	43,781
Other comprehensive income:			
Items that cannot be reclassified to profit or loss			
Remeasurement (loss)/gain on defined benefit pensions schemes	27	(43,923)	132,083
Related deferred tax credit/(charge)	13	8,345	(22,454)
Total comprehensive (loss) / income for the year		<u>(46,561)</u>	<u>153,410</u>

The notes on page 15 - 46 form part of these financial statements.

BALANCE SHEET

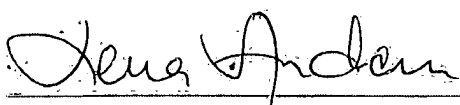
at 31 December 2018

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Intangible assets	14	15,007	15,113
Tangible assets	15	24,092	19,077
Investments	16	50,967	70,341
Other non-current assets	16	1,129	3,086
		<u>91,195</u>	<u>107,617</u>
CURRENT ASSETS			
Stocks	17	34,023	43,321
Debtors: Amounts falling due after one year	18	14,685	9,847
Amounts falling due within one year	18	247,683	323,078
Cash at bank and in hand		2,487	2,007
		<u>298,878</u>	<u>377,253</u>
CREDITORS: amounts falling due within one year	20	<u>(225,299)</u>	<u>(239,556)</u>
NET CURRENT ASSETS		<u>73,579</u>	<u>137,697</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		164,774	245,314
CREDITORS: amounts falling due after more than one year	21	(3,024)	(6,935)
PROVISIONS FOR LIABILITIES	22	<u>(11,696)</u>	<u>(12,137)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		150,054	226,242
Pension liability	27	<u>(28,910)</u>	<u>(14,756)</u>
NET ASSETS		<u>121,144</u>	<u>211,486</u>
CAPITAL AND RESERVES			
Called up share capital	24	120,000	120,000
Profit and loss account		1,144	91,486
SHAREHOLDER'S FUNDS		<u>121,144</u>	<u>211,486</u>

These Financial Statements were approved on behalf of the Board on the date shown below.
The notes on pages 15 – 46 form part of these financial statements.

Lena Andersson
Director

Date 01 October 2019.



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

	Share Capital £'000	Retained earnings	Total Equity
At 1 January 2017	120,000	(61,924)	58,076
Profit for the financial year	-	43,781	43,781
Other Comprehensive income	-	109,629	109,629
Total comprehensive income for the year	-	153,410	153,410
At 1 January 2018	120,000	91,486	211,486
Dividend paid	-	(43,781)	(43,781)
Profit for the financial year	-	(10,983)	(10,983)
Other Comprehensive income	-	(35,578)	(35,578)
Total comprehensive income for the year	-	(90,342)	(90,342)
At 31 December 2018	120,000	1,144	121,144

The notes on page 15 – 46 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

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 can be obtained from PO Box 8131, CH-8050, Zurich, Switzerland.

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 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101, as the results are included in the accounts of ABB Ltd, the ultimate parent company.

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payment*, because the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of IFRS 7 *Financial Instruments: Disclosures*
- (c) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*
- (d) 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*;
 - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*; and
- (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 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*;
- (h) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- (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*;
- (j) the effects of new but not yet effective IFRS's.

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Going concern

Notwithstanding a comprehensive loss for the year ended 31 December 2018 of £46,561,000 (2017: profit £153,410,000), 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 of intention, that if required, the Company's immediate parent company, ABB Asea Brown Boveri Ltd would provide additional funding, to meet its liabilities as they fall due for a period of 12 months from the date of approval 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.

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:

Pension and other post employment benefits

The cost of defined benefit pensions plans and other post employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 27.

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

2.2 Significant accounting policies

Revenue recognition

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 recognizes 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 recognized 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.

Revenue is recognized on services sales at the time the service has been rendered or in the case of period service contracts over the life of the contract.

Intangible fixed assets

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure

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.

2. ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

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 laws enacted or substantively enacted at the balance sheet date.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses on the balance sheet. On disposal of investments in subsidiaries the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Intangible fixed assets

Goodwill has an indefinite life and is reviewed annually for impairment. Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

The costs of implementing major software is capitalised at cost. The cost is amortised on a straight line basis over its useful economic life up to a maximum of 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, except for freehold land, at rates calculated to write off the 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
Machinery, equipment and vehicles	- 3 to 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

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials and goods for resale	- purchase cost on a first-in, first-out basis
Work In Progress and finished goods	- cost of direct materials and labour plus attributable overheads

2. ACCOUNTING POLICIES (continued)

2.2. Significant accounting policies (continued)

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 reliably the expenditure during development.

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 lease commitments

The Company has entered into commercial property, motor vehicle and other equipment leases. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Share based payment charges

The group has share based employee incentive plans which are described more fully in note 28. The relevant shares are those of the ultimate holding company, ABB Ltd registered in Switzerland. The plans are run and administered by companies in the ABB group, outside of the UK. The fair value of share based payments is charged to the profit and loss account on a straight line basis over the vesting period after taking account of forfeitures.

Pensions

The Company operates two defined benefit pension schemes. Both schemes have been closed to new members since January 2004 from which time membership of a defined contribution plan has been available.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. As the scheme is closed to new members, adopting the projected unit method will result in the current service cost increasing as the members of the scheme approach retirement. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or

2. ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Pensions (continued)

Loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. Net interest is calculated by applying the discount rate to the net defined benefit pension scheme asset / liability and is recognised in profit or loss as either finance income or expense.

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid value. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Cash flow statement

A statement of cash flows in accordance with IAS 7 (revised) has not been prepared as the Company is a wholly owned subsidiary of ABB Ltd incorporated in Switzerland which presents a cash flow statement within its consolidated accounts.

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. All movements in the fair value are recognized in profit or loss.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

Dividend Income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts derived from the provision of goods and services to third parties which fall within the company's ordinary activities, stated net of value added tax.

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

Business Segment

	2018			2017		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Turnover						
Industrial Automation	188,644	-	188,644	208,463	-	208,463
Electrification Products	105,264	-	105,264	118,017	-	118,017
Robotics & Motion	119,787	-	119,787	113,545	-	113,545
Power Grids	-	215,855	215,855	-	251,335	251,335
Other non trading divisions	12,895	-	12,895	7,722	-	7,722
Total	426,590	215,855	642,445	447,747	251,335	699,082

Included in the above is IFRS 15 construction contract revenues of £34,391,000 in Industrial Automation and £160,512,000 in Power Grids and £2,505,000 in non-core (2017: £59,994,000 in Process Automation and £166,813,000 in Power Grids)

	2018			2017		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Operating Profit						
Industrial Automation	10,697	-	10,697	29,547	-	29,547
Electrification Products	2,894	-	2,894	5,965	-	5,965
Robotics & Motion	7,353	-	7,353	10,317	-	10,317
Power Grids	-	(6,024)	(6,024)	-	(10,806)	(10,806)
Other non trading divisions	(3,289)	-	(3,289)	(21,198)	-	(21,198)
Operating profit	17,655	(6,024)	11,631	24,631	(10,806)	13,825
Profit on sale of discontinued operations			1,622			42,689
Investment income			75			414
Impairment of investments			(19,374)			(5,555)
Net interest			(2,602)			(2,045)
Other financial expense			495			(3,772)
Profit on ordinary activities before taxation			(8,153)			45,556
Net Assets						
Industrial Automation			191,819			182,900
Electrification Products			26,220			23,286
Robotics & Motion			109,684			102,345
Power Grids			154,134			146,731
Other non trading divisions			(360,713)			(243,776)
Total			121,144			211,486

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. TURNOVER AND SEGMENTAL ANALYSIS (continued)

Geographical Market

	2018			2017		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Turnover						
UK	312,291	181,228	493,519	322,608	217,241	539,849
Rest of Europe	87,963	33,589	121,552	94,006	33,952	127,958
Rest of World	26,336	1,038	27,374	31,133	142	31,275
Total	426,590	215,855	642,445	447,747	251,335	699,082
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Profit before Taxation						
UK	13,992	(5,058)	8,934	19,436	(9,340)	10,096
Rest of Europe	3,138	(937)	2,201	4,457	(1,460)	2,997
Rest of World	525	(29)	496	738	(6)	732
Operating Profit	17,655	(6,024)	11,631	24,631	(10,806)	13,825

Net assets held outside the UK are not material.

4. COST OF SALES AND NET OPERATING EXPENSES

	2018			2017		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
COST OF SALES	362,316	216,835	579,151	380,636	255,466	636,102
Distribution Expenses	2,798	205	3,003	3,018	1,242	4,260
Administrative costs	43,821	4,839	48,660	39,462	6,433	45,895
Net operating expenses	46,619	5,044	51,663	42,480	6,675	49,155

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

5. OPERATING PROFIT

This is stated after charging / (crediting):

	2018 £'000	2017 £'000
Auditor's remuneration		
- audit of the company	281	375
- audit of the company's subsidiaries	16	17
- tax advisory	-	-
Research expenditure written off	6,945	7,962
Depreciation - tangible fixed assets	2,141	2,531
- leased assets	382	271
Amortisation - capitalised software	153	229
Stocks - write down	1,095	455
Operating lease rentals		
- plant and machinery	3,432	2,382
- land and buildings	2,254	2,490
Foreign exchange profit	142	(306)
Loss on disposal of fixed assets	17	163

6. OTHER INCOME STATEMENT ITEMS

	2018 £'000	2017 £'000
Recognised below operating profit		
Disposal / impairment of investment	(19,374)	(5,555)
Profit on disposal of discontinued operations:		
Power Cables business	-	42,689
Other business	1,622	-
	<u>(17,752)</u>	<u>37,134</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

7. DISCONTINUED OPERATIONS

On 28 February 2017 the Company disposed of its Power Cables business.

In December 2018, the Company announced an agreement to divest 80.1 percent of its Power Grids business to Hitachi Ltd. This has been presented as a discontinued operation within the accounts. The divestment is expected to be completed in the first half of 2020, following the receipt of customary regulatory approvals as well as the completion of certain legal entity reorganizations expected to be completed before the sale. Assets and liabilities in the discontinued operation have maintained their existing classification as current or non-current as the sale is not expected to be completed for more than 12 months.

Results from discontinued operations have been separately disclosed on the face of the profit and loss in accordance with FRS 101.

8. STAFF COSTS

	2018 £'000	2017 £'000
Wages and salaries	111,401	110,170
Social security costs	14,672	13,849
Other pension costs	17,609	22,149
	<u>143,682</u>	<u>146,168</u>
	2018 £'000	2017 £'000
Other pension costs comprise:		
Defined benefit schemes:		
Service cost (Note 27)	2,870	10,665
Accrual of expected future admin costs (Note 27)	1,991	1,974
Cost of termination benefits (Note 27)	-	-
Total defined benefit scheme cost	<u>4,861</u>	<u>12,639</u>
Defined contribution schemes	<u>12,748</u>	<u>9,510</u>
	<u>17,609</u>	<u>22,149</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

8. STAFF COSTS (continued)

The average monthly number of employees during the year was made up as follows:

	2018 No.	2017 No.
Research and Development	50	49
Manufacturing and Installation Business	249	340
Engineering	678	690
Sales, Marketing, Consulting and Office Management	735	641
	<u>1,712</u>	<u>1,720</u>

In addition to the employees shown above there are 318 people (2017: 389 people) whose costs have been recharged to other group companies.

9. DIRECTORS' REMUNERATION

	2018 £'000	2017 £'000
Emoluments (excluding pension contributions)	<u>847</u>	<u>979</u>
Amounts (excluding shares) receivable under long term incentive plans	<u>-</u>	<u>-</u>
Pension contributions	<u>47</u>	<u>64</u>

No directors (2017: none) were members of the company's defined benefit pension scheme.

Two of the directors (2017: two) participate in defined contribution schemes.

One director (2017: one) exercised share options.

	2018 £'000	2017 £'000
Highest paid director:		
Emoluments and amounts receivable under long term incentive plans (excluding pension contributions)	413	354
Accumulated accrued defined benefit pension at year end	<u>-</u>	<u>-</u>

10. INTEREST RECEIVABLE

	2018 £'000	2017 £'000
Group interest receivable	799	707
Bank deposit interest	9	1
Other interest receivable	-	3
	<u>808</u>	<u>711</u>

NOTES TO THE FINANCIAL STATEMENTS

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11. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £'000	2017 £'000
Group interest payable	2,388	2,330
Finance charges under finance leases and HP contracts	426	426
Other interest payable	596	=
	<u>3,410</u>	<u>2,756</u>

12. OTHER FINANCE EXPENSE

	2018 £'000	2017 £'000
Net interest on defined benefit liability	<u>495</u>	<u>(3,772)</u>

13. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax	-	774
Adjustments in respect of prior years	(678)	(463)
	<u>(678)</u>	<u>311</u>
Deferred tax:		
Origination and (reversal) of timing differences	(5,128)	23,999
Adjustments in respect of prior years	291	(81)
Total deferred tax charge / (credit)	<u>(4,838)</u>	<u>23,918</u>
Taxation charge / (credit)	<u>(5,515)</u>	<u>24,229</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The total charge / (credit) is reflected in the accounts as follows:

	2018 £'000	2017 £'000
Profit and loss account:		
Tax on ordinary activities	2,830	1,775
	<u>2,830</u>	<u>1,775</u>
Statement of Other Comprehensive Income:		
Deferred tax asset / (liability) recognised in the pension schemes	(8,345)	22,454
	<u>(8,345)</u>	<u>22,454</u>
	<u>(5,515)</u>	<u>24,229</u>

Factors affecting current tax charge:

The tax charged on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	<u>(8,153)</u>	<u>45,556</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 19.25%)	(1,549)	8,770
Expenses not deductible for tax purposes	4,103	915
Impairment of investment	-	1,069
Non-taxable income	(14)	(8,296)
Permanent fixed asset timing differences	74	10
Change in tax rate	-	-
Difference between current and deferred tax rate	603	(147)
Tax over provided in prior years	(387)	(544)
Total tax in the income statement	<u>2,830</u>	<u>1,775</u>

The Company has tax trading losses arising and carried forward in the UK of £46,094,459 (2017: £31,350,000) which are available indefinitely for offset against future taxable profits of the businesses in which the losses originally arose. It also has tax capital losses arising and carried forward in the UK of £34,662,000 (2017: £34,662,000) which are available indefinitely for offset against future capital gains in any part of the UK group.

The Company has transferred in tax trading losses in the UK of £49,704,391 (2017: £49,604,391) arising as a result of the hive up of the trade of ABB Combined Heat and Power Limited on 31 August 2017.

The Company has future tax adjustments in the UK of £9,882,000 (2017: £9,142,000) relating to decelerated capital allowances, and of £30,407,000 (2017: £17,436,000) relating to other timing differences. Deferred tax assets have been fully recognised in respect of the above noted tax trading losses and other timing differences as there is sufficient evidence available to support the future recoverability of these assets. A deferred tax asset has not been recognised in respect of the above noted capital losses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

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

	2018 £'000	2017 £'000
Pension deficit	4,915	2,508
Tax losses	7,836	5,329
Decelerated capital allowances	1,680	1,554
Other timing differences	254	456
	<u>14,685</u>	<u>9,847</u>

This total deferred tax asset recognised of £14,685,000 (2017: £9,847,000) is reflected in these accounts as follows:

	2018 £'000	2017 £'000
Brought forward at 1 January	9,847	33,765
Movement in the year - P&L	(3,507)	(1,464)
Movement in the year - OCI	8,345	(22,454)
Carried forward at 31 December (Debtor Note 18)	<u>14,685</u>	<u>9,847</u>

Factors that may affect future current tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2018) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

14. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £'000	<i>Software</i> £'000	<i>Total</i> £'000
Cost:			
At 1 January 2018	14,704	11,874	26,578
Reclassification	-	24	24
Additions	-	23	23
Disposals	-	(25)	(25)
At 31 December 2018	<u>14,704</u>	<u>11,896</u>	<u>26,600</u>
Amortisation:			
At 1 January 2018	-	11,465	11,465
Amortisation during the year	-	153	153
Disposals	-	(25)	(25)
At 31 December 2018	<u>-</u>	<u>11,593</u>	<u>11,593</u>
Net book value at 31 December 2018	<u>14,704</u>	<u>303</u>	<u>15,007</u>
Net book value at 31 December 2017	<u>14,704</u>	<u>409</u>	<u>15,113</u>

Goodwill acquired through business combinations has been allocated to cash generating units, which are also operating segments. These represent the lowest level within the Company at which goodwill is monitored for internal management purposes.

The recoverable amount of the units has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board covering a three year period.

15. TANGIBLE FIXED ASSETS

	<i>Land and Buildings</i> £'000	<i>Machinery, Equipment and Vehicles</i> £'000	<i>Total</i> £'000
Cost:			
At 1 January 2018	17,691	34,614	52,305
Reclassifications	619	(643)	(24)
Additions	1,014	7,547	8,561
Disposals	(443)	(4,018)	(4,461)
At 31 December 2018	<u>18,881</u>	<u>37,500</u>	<u>56,381</u>
Depreciation:			
At 1 January 2018	8,045	25,183	33,228
Charged during the year	382	2,141	2,523
Disposals	(308)	(3,154)	(3,462)
At 31 December 2018	<u>8,119</u>	<u>24,170</u>	<u>32,289</u>
Net Book Value at 31 December 2018	<u>10,762</u>	<u>13,330</u>	<u>24,092</u>
Net Book Value at 31 December 2017	<u>9,646</u>	<u>9,431</u>	<u>19,077</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

15. TANGIBLE FIXED ASSETS (continued)

The net book value of land & buildings consisted of:

	2018 £'000	2017 £'000
Freehold	8,829	8,726
Long Leasehold	741	570
Short Leasehold	1,192	350
	<u>10,762</u>	<u>9,646</u>

The net book value of fixed assets includes an amount of £1,201,000 (2017: £1,240,000) in respect of assets held under finance leases. The cost of land is £3,857,549 (2017: £3,857,549).

16. INVESTMENTS AND OTHER NON CURRENT ASSETS

	2018 £'000	2017 £'000
Investment in subsidiaries	<u>50,967</u>	<u>70,341</u>
Other non current assets		
Restricted cash deposits	677	1,354
Forward currency contracts	452	1,732
Total other non-current assets	<u>1,129</u>	<u>3,086</u>

Investments in subsidiaries

	2018 £'000
Cost	
At 1 January 2018 and at 31 December 2018	<u>171,322</u>
Amounts provided	
At 1 January 2018	100,981
Impairment in year	<u>19,374</u>
At 31 December 2018	<u>120,355</u>
Net book value at 31 December 2018	<u>50,967</u>
Net book value at 31 December 2017	<u>70,341</u>

During the year, the carrying value of the Company's investments are reviewed to determine whether there is an indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Any change in value is measured as an impairment through the Profit and loss.

ABB Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

16. INVESTMENTS AND OTHER NON CURRENT ASSETS *(continued)*

Details of the investments included above in which the company directly or indirectly holds more than 20% of the nominal value of any class of share capital are as follows:

<i>Direct</i>	<i>Registered Office</i>
ABB Enterprise Software Limited	Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT
Dynamotive Limited	Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT
Cable Management Products Ltd	27/28 Eastcastle Street, London, W1W 8DH
ABB Service Limited	Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT
ABB Motion UK Limited	Mint Motion Centre, 6 Bristol Distribution Park, Hawkley Drive, Bristol, BS32 0BF
ABB Automation Limited	Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT
ABB Instrumentation Limited	Daresbury Park, Daresbury, Warrington, Cheshire WA4 4BT
ABB Power T&D Limited	Hareness Road, Altens, Aberdeen, Scotland, AB12 3LE
Gratte Barrett & Wright Limited	2 Regents Wharf, All Saints Street, London, N1 9RL
Thomas & Betts Limited	27/28 Eastcastle Street, London, W1W 8DH
 <i>Indirect</i>	
WJ Furse & Co Limited	27/28 Eastcastle Street, London, W1W 8DH

All Companies are registered in England and Wales.

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%.

	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Restricted cash	<u>677</u>	<u>1,354</u>

The company holds £677,000 (2017: £1,354,000) in a restricted bank account set aside for meeting its future obligations under finance and non-cancellable operating leases. This was required prior to the payment of a dividend during 2011, as part of the Court Order approving the capital reduction referred to in the statement of changes in equity.

	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Forward currency derivative contracts	<u>452</u>	<u>1,732</u>

ABB Limited

NOTES TO THE FINANCIAL STATEMENTS

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17. STOCKS

	2018 £'000	2017 £'000
Raw materials and consumables	7,041	5,798
Work in progress (Note 30)	2,587	16,324
Finished goods	23,595	20,199
	<u>34,023</u>	<u>42,321</u>

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

18. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due after one year		
Deferred tax (Note 13)	<u>14,685</u>	<u>9,847</u>
Amounts falling due within one year		
Forward currency derivative contracts	643	442
Trade debtors	90,475	86,537
Amounts owed by group undertakings	97,582	177,020
Other debtors	548	6,404
Prepayments	5,825	2,280
Amounts recoverable on contracts (Note 30)	49,308	48,521
Corporation tax receivable	3,302	1,874
	<u>247,683</u>	<u>323,078</u>

NOTES TO THE FINANCIAL STATEMENTS

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19. CONSTRUCTION CONTRACTS

	2018 £'000	2017 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in debtors (Note 18)	49,308	47,429
Amounts due from contract customers included in work in progress (Note 17)	-	12,969
Amounts due to contract customers included in creditors (Note 20)	(17,743)	(19,030)
	<u>31,565</u>	<u>41,368</u>
Contract costs incurred plus profit, less recognised losses to date	1,663,731	1,219,671
Less progress billings	(1,635,844)	(1,178,303)
	<u>27,887</u>	<u>41,368</u>

At 31 December 2018, retentions held by customers for contract work amounted to £nil (2017: £nil). Advances received from customers for contract work amounted to £1,907,000 (2017: £1,303,000).

20. CREDITORS: amounts falling due within one year

	2018 £'000	2017 £'000
Short term borrowings	-	16,737
Forward currency derivative contracts	459	641
Amounts owed under finance leases (Note 23)	324	405
Trade creditors	25,777	19,118
Customer advances	23,820	27,539
Payments on account of long term contracts	17,743	14,931
Amounts owed to group undertakings	78,692	79,235
Other taxes and social security costs	24,402	17,662
Other creditors	1,979	1,921
Accruals	52,103	61,367
	<u>225,299</u>	<u>239,556</u>

The fair value of forward currency contracts was determined using quoted forward exchange rates matching the maturity of the contracts.

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21. CREDITORS: amounts falling due after more than one year

	2018 £'000	2017 £'000
Forward currency derivative contracts	2,195	5,841
Amounts owed under finance leases (Note 23)	829	1,094
	<u>3,024</u>	<u>6,935</u>

22. PROVISIONS FOR LIABILITIES

	<i>Restructuring</i> £'000	<i>Warranties</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
Provisions at 1 January 2018	2,650	4,113	5,374	12,137
Charged to the P&L account during the year	1,901	111	413	2,425
Utilised during the year	(1,654)	(137)	(1,075)	(2,866)
Provisions at 31 December 2018	<u>2,897</u>	<u>4,087</u>	<u>4,712</u>	<u>11,696</u>

Provisions for restructuring relate primarily to redundancies. It is expected that the costs relating to redundancy and relocation will be incurred within three years of the balance sheet date.

A provision is recognised for expected warranty claims on completed contracts. It is expected that most of these costs will be incurred within two years of the balance sheet date.

Other provisions relate to provisions for 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.

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23. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Future minimum lease payments due under finance lease and hire purchase contracts:	2018 £'000	2017 £'000
Within one year	780	830
Within two to five years	1,866	2,137
In over five years	21,858	22,289
	24,504	25,256
Less finance charges allocated to future periods	(23,351)	(23,757)
Present value of minimum lease payments	1,153	1,499

The present value of minimum lease payments is analysed as follows:

	2018 £'000	2017 £'000
Within one year	324	405
Within two to five years	202	454
In over five years	627	640
	1,153	1,499

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

	Land and buildings		Other	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	2,093	2,418	3,087	2,355
Within two to five years	4,366	4,496	3,275	2,392
In over five years	1,270	-	-	-
	7,729	6,914	6,362	4,242

24. SHARE CAPITAL

Ordinary shares of £1 each	2018 No.	2017 No.	2018 £'000	2017 £'000
Allotted, called up and fully paid	120,000,000	120,000,000	120,000	120,000

25. CAPITAL AND FINANCIAL COMMITMENTS

At 31 December 2018 there were £nil (2017: £nil) capital commitments contracted for but not provided.

At 31 December 2018 the Company had entered into commitments to buy/sell foreign currencies in future months amounting to £31,446,035 (2017: £46,222,467).

26. CONTINGENT LIABILITIES

At 31 December 2018 there were no outstanding contingent liabilities in respect of the Company (2017: £nil), other than the matters detailed below:

Guarantees related to contracts

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, or 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 2018, these guarantees amounted to £85,193,128 (2017: £71,740,781).

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.

Suspect payments

As a result of an internal investigation, ABB Limited, 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.

Discontinued operations

On 28 February 2017 ABB Limited disposed of its Power Cables business generating a profit on disposal of £42,689,000. Clearance was sought and obtained, from the UK tax authorities that no taxable gains should arise on the disposal, subject to a confirmatory review of the relevant corporation tax return to be submitted by the Company. Accordingly no provision has been made for tax arising on the transaction. If the UK tax authorities were to ultimately assess the position differently, it may negatively impact the financial statements of the Company.

27. PENSIONS

The Company has a number of defined benefit and defined contribution pension schemes designed to provide retirement benefits for the majority of its employees. Contributions to the defined contributions pension scheme were £12,748,000 (2017: £9,510,000). The principal defined benefit pension schemes which cover UK personnel are funded externally under the supervision of boards of trustees.

Total annual contributions to the schemes are based on independent actuarial advice, and are gauged to fund future pension liabilities (including projected increases in earnings and pensions) in respect of service up to the balance sheet date.

The schemes are subject to independent actuarial valuation at least every three years. Valuations for The ABB Plan and the Fischer and Porter Limited Pension and Life Assurance Fund were last carried out on 6 April 2017 and 1 January 2016 respectively and both have been updated to 31 December 2017 by qualified independent actuaries.

The ABB Plan closed to future accrual on 31 March 2018. A remeasurement was carried out at the time the plan amendment was adopted. The effect of the elimination of future accruals is recognised as a curtailment gain in the current year. The accounting effect of the curtailment would be the excess of the reduction of the projected benefit obligation over existing unamortised losses.

The estimated actuarial valuation at 31 December 2018 showed a deficit of £28,910,000 (2017: £14,756,000). The service cost has been calculated using the projected unit method. The employer contributed an average of 14% (2017: 17%) of members' pensionable salaries plus an additional lump sum of £10 million (2017: £10 million) during the year. Contributions to the scheme in 2019 are estimated to be £5.7 million.

The major assumptions used in both defined benefit schemes for IAS 19 purposes were as follows:

	<i>At</i> 31 December 2018	<i>At</i> 31 December 2017
Rate of increase in salaries	4.00%	4.00%
Rate of increase in deferred pensions	2.25%	2.25%
Rate of increase in pensions in payment	3.00%	3.00%
Discount rate	2.78%	2.65%
Inflation assumption	3.25%	3.25%

During the financial year the Company has changed the model used for deriving the discount rate assumption for valuing the pension obligations under FRS 101 to use an approach that is consistent with that adopted for Group reporting purposes under US GAAP. Compared to the previous approach, under the updated methodology a greater proportion of bonds with low yields are excluded as outliers from the corporate bond data used to derive the discount rate. The impact of this change is to reduce the Defined Benefit Obligation and Net Defined Benefit Liability by £28,159,000 at 31 December 2018.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Effect on Defined Benefit Obligation £'000
Discount rate	increase 0.25%	(44,609)
Discount rate	decrease 0.25%	47,532

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27: PENSIONS (continued)

The assets in both defined benefit schemes and the net defined pension asset/ (liability) were:

	At 31 December 2018 £'000	At 31 December 2017 £'000
Equity securities	213,965	263,363
Debt securities	699,019	729,493
Real estate / property	133,972	123,524
Cash and cash equivalents	31,976	12,819
Derivatives	-	-
Other	4,986	36,125
Total market value of assets	1,083,918	1,165,324
Present value of scheme liabilities	(1,107,624)	(1,173,618)
(Deficit) in the schemes	(23,706)	(8,294)
Irrecoverable surplus	(5,204)	(6,462)
Net pension liability	(28,910)	(14,756)

The irrecoverable surplus relates to the Fischer and Porter Limited Pension and Life Assurance Fund only, the ABB Plan remains in a deficit position.

The Company recognises any surplus only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The Directors, advised by the scheme actuary, have determined that it should be restricted by £5,204,000 (2017: £6,462,000).

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31 December 2018

27. PENSIONS (continued).

Analysis of the components of the defined benefit cost.

	2018 £'000	2017 £'000
<i>Recognised in the profit and loss account</i>		
Current service cost	2,870	10,665
Accrual of expected future admin costs	1,991	1,974
Past service cost – plan amendments	7,700	-
Past service cost – curtailments	(26,926)	-
Cost of termination benefits	-	-
Recognised in arriving at operating profit	<u>(14,365)</u>	<u>12,639</u>
Net interest on net defined benefit liability	(495)	3,772
Total recognised in the profit and loss account	<u>(14,860)</u>	<u>16,411</u>
<i>Taken to the statement of comprehensive income</i>		
Actual return less expected return on pension scheme assets (greater) than discount rate	55,397	(45,810)
Experience loss arising on scheme liabilities	1,894	(3,623)
Amount not recognised	(1,258)	3,231
(Gain) / loss arising from changes in assumptions underlying the present value of scheme liabilities	(12,110)	(85,881)
Actuarial loss / (gain) recognised in the statement of comprehensive income	<u>43,923</u>	<u>(132,083)</u>

Analysis of movements in the deficit during the year.

	2018 £'000	2017 £'000
At 1 January	(14,756)	(148,450)
Total operating charge	14,365	(12,639)
Interest on net defined benefit liability	495	(3,772)
Remeasurement effects on OCI	(43,923)	132,083
Contributions	14,909	18,022
At 31 December	<u>(28,910)</u>	<u>(14,756)</u>

ABB Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

27. PENSIONS (continued)

	2018 £'000	2017 £'000
Change in Plan assets		
Fair value of assets at the start of the period	1,165,324	1,126,282
Interest income on scheme assets	30,176	30,460
Actual return less expected return on scheme assets greater than discount rate	(55,397)	45,810
Employer contributions	14,909	18,022
Plan participants contributions	213	170
Benefits paid	(69,316)	(53,466)
Administrative costs paid	(1,991)	(1,954)
Fair value of assets at the end of the period	<u>1,083,918</u>	<u>1,165,324</u>
	2018 £'000	2017 £'000
Change in actuarial value of Plan liabilities		
Defined benefit obligation at the start of the period	1,173,618	1,271,501
Employer service cost	2,870	10,665
Interest cost	29,681	34,232
Plan participants contributions	213	170
Actuarial (gain) / loss	(10,216)	(89,504)
Benefits paid from plan assets	(69,316)	(53,446)
Past service costs – plan amendments	7,700	-
Past service costs – curtailment	(26,926)	-
Termination benefits	-	-
Plan liabilities at the end of the period	<u>1,107,624</u>	<u>1,173,618</u>

28. EMPLOYEE INCENTIVE PLANS

The ABB Group has two share-based employee incentive plans applying to employees of the UK group as described below. Both incentive plans are run and administered by companies in the ABB Group, outside of the UK group.

Management Incentive Plan (MIP)

Under the MIP, share warrants or options and warrant appreciation rights (WARs) are offered to key employees for no consideration. Each launch of the MIP is approved by the Board of Directors of the ultimate parent company, ABB Ltd.

Warrants and options granted under the MIP allow participants to purchase shares of ABB Ltd at predetermined prices. Participants may sell the warrants or options rather than exercise the right to purchase shares. Equivalent warrants are listed by a third party bank on the SWX Swiss Exchange, which facilitates pricing and transferability of warrants granted under this plan. The options entitle the holder to request that a third party bank purchase such options at the market price of equivalent listed warrants related to that MIP launch. If the participant elects to sell the warrants or options on the market rather than exercise the right to purchase shares, the instruments may then be held by a non-employee of ABB Ltd. Each WAR gives the participant the right to receive, in cash, the market price of a warrant on the date of exercise of the WAR. The WARs are non-transferable.

Participants may exercise or sell warrants and options and exercise WARs after the vesting period, which is three years from the date of grant. Vesting restrictions can be waived in certain circumstances such as death or disability. All warrants, options and WARs expire six years from the date of grant. As the primary trading market for shares of ABB Ltd is the SWX Swiss Exchange (virt-x), the exercise prices of warrants and options and the trading prices of equivalent warrants listed on the SWX Swiss Exchange are denominated in Swiss francs. Accordingly, exercise prices are presented below in Swiss francs.

ABB Limited in the UK receives a charge for the costs (the initial fair value of the awards and the administrative costs) of providing the MIP to employees of the UK group. If an employee forfeits the awards during the vesting period, ABB Limited in the UK receives a credit note for the charges previously paid. If an employee is transferred to/from another country during the vesting period, ABB Limited in the UK receives a credit note/invoice for the respective portion of the initial charge. A charge of £742,984 is included in administration costs in 2018 (2017: £799,584).

28: EMPLOYEE INCENTIVE PLANS (continued)

Warrants and Options

Presented below is a summary of the activity related to warrants and options of the company's employees for the years ended 31 December 2018 and 2017:

2018	Number of warrants or options	Number of shares ⁽¹⁾	Weighted-average exercise price (in Swiss francs) ^{(2) (3)}	Weighted-average remaining contractual term (in years) ⁽³⁾	Aggregate intrinsic value (in thousands of Swiss francs) ⁽⁴⁾
Outstanding at 1 January 2018	6,616,245	1,323,249	20.80	3.8	6,234
Granted	2,009,200	401,840	23.48		
Forfeited	(63,750)	(12,750)	21.50		
Expired	(250,750)	(50,150)	22.09		
Sold	(1,202,940)	(240,588)	18.91		
Employees transferred in	-	-			
Employees transferred out	-	-			
Outstanding at 31 December 2018	<u>7,108,005</u>	<u>1,421,601</u>	<u>21.82</u>	<u>4.4</u>	<u>0</u>
Exercisable at 31 December 2018	<u>1,788,170</u>	<u>357,634</u>	<u>20.30</u>	<u>2.0</u>	<u>0</u>
2017	Number of warrants or options	Number of shares ⁽¹⁾	Weighted-average exercise price (in Swiss francs) ^{(2) (3)}	Weighted-average remaining contractual term (in years) ⁽³⁾	Aggregate intrinsic value (in thousands of Swiss francs) ⁽⁴⁾
Outstanding at 1 January 2017	6,614,435	1,322,887	20.45	4.4	1,332
Granted	1,998,570	399,714	22.50		
Forfeited	(674,630)	(134,926)	20.15		
Expired	(159,500)	(31,900)	25.50		
Sold	(1,108,000)	(221,600)	22.25		
Employees transferred in	191,250	38,250	20.67		
Employees transferred out	(245,880)	(49,176)	20.79		
Outstanding at 31 December 2017	<u>6,616,245</u>	<u>1,323,249</u>	<u>20.80</u>	<u>3.8</u>	<u>6,234</u>
Exercisable at 31 December 2017	<u>2,716,230</u>	<u>462,846</u>	<u>20.55</u>	<u>2.0</u>	<u>2,578</u>

(1) Information presented reflects the number of shares of ABB Ltd that warrant holders can receive upon exercise. Warrants and options have a conversion ratio of 5:1.

(2) Information presented reflects the exercise price per share of ABB Ltd.

(3) Information presented is weighted on the number of shares.

(4) Computed using the closing price, in Swiss francs, of ABB Ltd shares on the SWX Swiss Exchange (virt-x) and the exercise price per share of ABB Ltd.

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28. EMPLOYEE INCENTIVE PLANS (continued)

The aggregate fair value at date of grant of warrants and options granted in 2018 was CHF902,237 (2017: CHF 939,328). This is the basis of the charge received by ABB Limited in the UK. The range of exercise prices for warrants and options outstanding at 31 December 2018 was CHF 19.50 – CHF23.50 (2017: CHF 15.75 – CHF 22.50).

The fair value of each warrant or option is estimated on the date of grant using a lattice model that uses assumptions noted in the table below. Expected volatilities are based on implied volatilities from traded warrants and options on ABB Ltd's shares. The risk-free rate is based on a six-year Swiss Franc interest rate, reflecting the contractual life of the warrants and options.

The maximum term of options granted is 6 years.

	2018 grant	2017 grant
Expected volatility	17.18%	18.13%
Dividend yield	3.1%	4.7%
Expected term	6 years	6 years
Risk-free interest rate	-0.13%	-0.28%

WARS

Presented below is a summary of WAR activity of the company's employees for the years ended 31 December 2018 and 2017:

	2018 Number of WARs	2017 Number of WARs
Outstanding at 1 January	515,440	810,440
Granted during the year	-	-
Exercised during the year	(195,000)	(240,000)
Forfeited during the year	-	-
Expired during the year	-	(55,000)
Employees transferred in	-	-
Employee transferred out	-	-
Outstanding at 31 December	<u>320,440</u>	<u>515,440</u>
Exercisable at 31 December	<u>320,440</u>	<u>435,750</u>

As a WAR gives its holder the right to receive in cash the market price of a warrant, the fair value of a WAR on grant date equals that of a warrant. There were no WARS granted in either the current or prior year.

The aggregate fair value of outstanding WARS at 31 December 2018 was £147,402 (2017: £583,500). The fair value of WARS was determined based upon the trading price of equivalent warrants listed on the SIX Swiss Exchange.

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28. EMPLOYEE INCENTIVE PLANS (continued)

Employee Share Acquisition Plan (ESAP)

The ESAP is an employee share option plan with a savings feature. Employees save over a twelve-month period, by way of monthly salary deductions. At the end of the savings period, employees choose whether to exercise their share options, using their savings plus interest to buy ABB Ltd shares at the exercise price set at the grant date, or have their savings returned with interest. The savings are accumulated in a bank account held by a third party trustee on behalf of the participants and earn interest. Employees can withdraw from the ESAP at any time during the savings period and will be entitled to a refund of their accumulated savings.

ABB Limited in the UK receives a charge for the costs of providing ESAP to employees of the UK group. The costs approximate the difference between the exercise price and market price of the ABB Ltd share at vesting, as well as administrative costs. Charges of £ 22,077 are included in administration costs in 2018 (2017: £263,657).

Presented below is a summary of activity under the ESAP during the years ended 31 December 2017 and 2016:

2018	Number of shares	Weighted average exercise price (in Swiss francs)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands of Swiss francs) (1)
Outstanding at 1 January 2018	57,000	26.26	0.8	-
Granted during the year	63,630	20.38		
Forfeited during the year	(9,110)	26.26		
Exercised during the year	-			
Not exercised (savings returned plus interest) during the year	(47,890)	26.26		
Outstanding at 31 December 2018	<u>63,630</u>	<u>20.38</u>	<u>0.8</u>	
Vested and expected to vest at 31 December 2018	63,630	20.38		
Exercisable at 31 December 2018	<u>63,630</u>	<u>20.38</u>		

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28. EMPLOYEE INCENTIVE PLANS (continued)

2017	Number of shares	Weighted average exercise price (in Swiss francs)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands of Swiss francs) (1)
Outstanding at 1 January 2017	86,350	20.12	0.8	117
Transfers out				
Granted during the year	57,000	26.26		
Forfeited during the year	(5,920)	20.12		
Exercised during the year	(61,970)	20.12		
Not exercised (savings returned plus interest) during the year	(18,460)	20.12		
Outstanding at 31 December 2017	57,000	26.26	0.8	8
Vested and expected to vest at 31 December 2017	57,000	26.26		
Exercisable at 31 December 2017	-			

(1) Computed using the closing price, in Swiss francs, of ABB Ltd shares on the SWX Swiss Exchange (virt-x) and the exercise price of each option in Swiss francs.

28. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by IAS 24 in that transactions with other wholly owned group companies are not disclosed, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The following transactions are not covered by this exemption.

The Company has an agreement to provide services to Power Assets Development Company Limited ("PadCo"), a company in which ABB Investments Ltd, a sister company of ABB Limited, has a 25% shareholding. ABB Limited received management fees of £ nil (2017: £nil).

29. ULTIMATE HOLDING COMPANY

The immediate parent company is ABB Holdings Limited. 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.

30. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 19 and IAS 11.

The quantitative impact of the changes in relation to the year ended 31 December 2019 are as follows:

- Inventory work in progress has reduced from £11,195 (as it would have been stated under IAS 19 and IAS 11) to £2,587,000 after applying IFRS 15.
- Amounts recoverable on contracts has increased from £40,700,000 (as it would have been stated under IAS 19 and IAS 11) to £49,308,000 after applying IFRS 15. As there has been no impact to the statement of profit and loss, no adjustment has been made to the opening balance of equity.