

ABB Installation Products Limited

Directors' report and Financial Statements

31 December 2022

Registered Number 00956671

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Company information

Directors

DJ Hughes (Resigned 16 December 2022)
ME Moussa
DK Lowen
C Prendergast (Appointed 16 December 2022)

Secretary

VA Mac Lean

Registered Office

ABB Limited
Daresbury Park
Daresbury
Warrington
Cheshire
WA4 4BT

Banker

Deutsche Bank
1 Great Winchester Street
London
EC2N 2DB

Auditor

KPMG LLP
1 St Peters Square
Manchester
M2 3AE

Directors' report

The Directors present their report for ABB Installation Products Limited (the 'Company') for the year ended 31 December 2022.

Business review and principal activities

The Company's principal activity is acting as a toll manufacturer for ABB BV, a fellow ABB group subsidiary based in Europe. ABB BV manufactures electronic components and emergency lighting for the commercial and industrial building industry. These products are sold throughout the Middle East and the United Kingdom via a fellow subsidiary based in Europe.

The Company invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the Company, in the medium to long-term. This research and development activity has resulted in a number of updates to existing products.

As shown in the profit and loss account on page 11, the Company's loss before tax was £1,831,000 (2021: Loss £13,000) a £1,818,000 increase in the loss from the previous year. Under the toll manufacturer agreements. The Company recharges its costs to ABB BV subject to rules laid down in that agreement. The main factor resulting in the improvement in profit before tax was:

- In 2022 there was a £1,977,000 (2021: £nil) impairment of the investment in the Company's subsidiary W J Furse & Co Limited.
- In 2022 the Company recharged £234,000 of Cost of Sales that had previously been excluded from the standard cost absorption in the prior year, while the high level of inflation in the year resulted in increased costs included in Cost of Sales that could not be recharged under the toll manufacturing agreements.

The Company's turnover has increased by £603,000, being a 26% increase compared with the previous year. This increase in part is because of the above, but primarily because costs have increased by £511,000, and accordingly revenues recognised for recharging these costs have increased.

The balance sheet on page 14 of the Financial Statements shows the Company's financial position at the year-end.

Investments have fallen by £1,977,000 due to the impairment booked in the year. The impact of increased interest rates is the principal reason that the net pension asset has fallen by £1,920,000.

Directors' report *(continued)*

Principal risks and uncertainties

As the Company's business is that of a toll manufacturer for the manufacture of products which are sold by ABB BV, a fellow group subsidiary, the primary risks the Company faces are those which would affect ABB BV.

Competitive pressure in the Middle East and United Kingdom is a continuing risk, which could result in losing sales to key competitors. To manage this risk, the Group strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.

The Company's business may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The success of the Company is directly linked to positive economic conditions in the countries where product is sold. Turmoil in the financial markets during recent years has adversely affected world economic activity. The current economic environment has had an adverse effect on demand in their primary markets and a continued decline in economic activity could adversely affect demand, thereby having a material adverse impact on their operating results and financial condition. Additionally, these conditions could also impair the ability of those whom they do business with to satisfy their obligations to them. Finally, a continued decline in economic activity could result in adverse changes to their current projected future operating results that are used to assess asset valuations. Such revisions could lead to potentially significant financial impairment charges for these assets in future periods.

Going Concern

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

The directors have prepared forecasts for a period covering at least 12 months from the date of approval of these financial statements. However, given the trade of the Company is dependent on its penultimate parent company, ABB Asea Brown Boveri Ltd ("ABB"), the directors have sought confirmation from ABB that it will continue to trade with the entity and provide financial support if and when needed.

As mentioned in note 19, on 2 February 2023 the ABB group announced its intention to divest the emergency lighting business, which includes a substantial part of the Company's business. As at the date of approval of these financial statements no buyer has yet been identified. ABB has indicated its intention to continue to trade with and to make available such funds as are needed by the company for a period of at least 12 months from the date of approval of these financial statements or until the date of completion of the divestment of the business whichever is the sooner. The likelihood of a sale of the business within the period considered for going concern is uncertain. In the event the sale of the Company takes place there is uncertainty as to whether a potential buyer would support the Company to continue as a going concern

Directors' report (continued)

Going concern (continued)

The directors have considered the ability of ABB to continue to trade and provide any financial support as and when required based on the information provided by ABB. As with any company placing reliance on other group entities for trade and 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.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the potential sale of the business as mentioned above indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate..

Pension Schemes

The Company has two defined benefit pension plans, which are currently in surplus. For one of these schemes, the Augat Limited Pension and Life Assurance Scheme, the surplus is excluded from the assets of the company, as the surplus is considered to be irrecoverable. The funding level of these pension plans are subject to adverse change resulting from movements in the actuarial assumptions underlying the calculation of plan liabilities, including decreasing discount rates and increasing longevity of plan members, as well as declines in the market value of plan investments. The pension plans are closed to new members and contributions are being made under the terms of a payment schedule agreed with the plan Trustees. Significant adverse changes in the actuarial assumptions underlying the plan valuation and the Company's contributions made into the plans could materially impact the Company's trading results.

Directors and directors' interests

The Directors who held office during the year and subsequently were as follows:

DJ Hughes (Resigned 16 December 2022)
ME Moussa
DK Lowen
C Prendergast (Appointed 16 December 2022)

Research and development

Research and development costs during the year amounted to £113,000 (2021: £101,000).

Dividends

The Directors do not recommend the payment of a dividend for the year (2021: £nil).

Environment

ABB Installation Products Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Directors' report *(continued)*

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.

Political and charitable donations

ABB Installation Products Limited made no political donations or incurred any political expenditure during either the current or preceding year.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Legal form of entity

The Company is incorporated in England and Wales as a limited liability company.

Auditor

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board



Malgorzata Moussa
Director

Daresbury Park
Daresbury
Warrington
Cheshire
WA4 4BT

Date: 29 September 2023

Statement of Directors' responsibilities in respect of the Director's report, and the Financial Statements

The directors are responsible for preparing 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;
- 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 Installation Products Limited

Opinion

We have audited the financial statements of ABB Installation Products Limited ("the Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Statement of Changes in Equity, the Balance Sheet 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that in the event of the sale of the company, it is uncertain as to where a potential buyer would support the company to continue as a going concern. These events and conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships

Independent auditor's report to the members of ABB Installation Products Limited (*continued*)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is simple in nature, made up of a low volume of transactions and is the re-charge of costs to other group entities and therefore don't believe there is a fraud risk relating to revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We performed procedures identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation which included testing those journals to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of ABB Installation Products Limited (*continued*)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' report

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

Our responsibility is to read 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 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of ABB Installation Products Limited (*continued*)

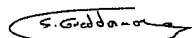
Auditor's responsibilities

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

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

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

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



Slim Gueddana (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peters Square,
Manchester
M2 3AE

Date: 29 September 2023

Profit and loss account
for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Turnover	3	2,893	2,290
Cost of sales		<u>(1,435)</u>	<u>(1,173)</u>
Gross profit		1,458	1,117
Distribution costs		(986)	(660)
Administrative expenses		(486)	(563)
Other operating income		<u>-</u>	<u>-</u>
Operating loss		(14)	(106)
Impairment of investments		<u>(1,977)</u>	<u>-</u>
Loss before interest, other finance income and taxation		(1,991)	(106)
Other interest receivable and similar income	4	33	-
Other finance income	5	<u>127</u>	<u>93</u>
(Loss) before taxation	6	(1,831)	(13)
Tax on (loss)	7	<u>17</u>	<u>(452)</u>
(Loss) for the financial year		<u>(1,814)</u>	<u>(465)</u>

The notes on pages 15 to 33 form part of these financial statements.

Statement of Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
(Loss) for the financial year		(1,814)	(465)
Other comprehensive income:			
Items that cannot be reclassified to profit or loss			
Remeasurement on defined benefit pension schemes	15	(2,047)	(1,080)
Related deferred tax	14	<u>512</u>	<u>270</u>
Other comprehensive (loss)		<u>(1,535)</u>	<u>(810)</u>
Total comprehensive (loss) for the year		<u>(3,349)</u>	<u>(1,275)</u>

The notes on pages 15 to 33 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2022

	Called up Share Capital	Share Premium Account	Capital Contribution	Profit and Loss Account	Total
	£	£	£	£	£
At 1 January 2021	4,730	20,980	5,471	(10,057)	21,124
Loss for the financial year	-	-	-	(465)	(465)
Other Comprehensive (loss)	-	-	-	(810)	(810)
At 1 January 2022	4,730	20,980	5,471	(11,332)	19,849
Loss for the financial year	-	-	-	(1,814)	(1,814)
Other Comprehensive (loss)	-	-	-	(1,535)	(1,535)
At 31 December 2022	4,730	20,980	5,471	(14,681)	16,500

The share premium account relates to the premium paid on shares issued in earlier years.

The capital contribution reserve relates to payments made by previous parent undertakings to strengthen the capital position of the Company at that time.

The notes on pages 15 to 33 form part of these financial statements.

Balance Sheet
as at 31 December 2022

	<i>Notes</i>	2022 £000	2021 £000
Fixed assets			
Tangible assets	<i>10</i>	639	445
Investments	<i>11</i>	9,819	11,796
		10,458	12,241
Current assets			
Debtors	<i>12</i>	2,884	2,966
Cash at bank and in hand		-	-
		2,884	2,966
Creditors: amounts falling due within one year	<i>13</i>	(704)	(431)
Net current assets		2,180	2,535
Total assets less current liabilities		12,638	14,776
Provision for liabilities	<i>14</i>	(901)	(1,610)
Net assets excluding pension scheme assets		11,737	13,166
Net pension scheme assets	<i>15</i>	4,763	6,683
Net assets		16,500	19,849
Capital and reserves			
Called up share capital	<i>16</i>	4,730	4,730
Share premium		20,980	20,980
Capital contribution		5,471	5,471
Profit and loss account		(14,681)	(11,332)
Shareholders' funds		16,500	19,849

The notes on pages 15 to 33 form part of these financial statements.

These financial statements were approved by the Board of Directors. and were signed on its behalf by:



 Malgorzata Moussa
 Director

Date: 29 September 2023

Company registered number: 00956671

Notes

(forming part of the Financial Statements)

1 Authorisation of Financial Statements and Statement of Compliance with FRS101

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable UK accounting standards.

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

The Financial Statements were approved for issue by the Board of Directors on 29 September 2023

Group accounting

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of ABB Ltd, a company incorporated in Switzerland. A copy of the accounts of ABB Ltd can be obtained from PO Box 8131, CH-8050, Zurich, Switzerland.

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 2022.

The Company has taken advantage of the following disclosure exemptions under FRS 101; as the Company is a wholly owned subsidiary of ABB Limited and its results are consolidated in ABB Limited, 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 paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 Presentation of Financial Statements
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (d) 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;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 and 18a of IAS 24 Related Party Disclosures;
- (h) the requirements of IFRS 7 Financial Instruments : 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

Notes *(continued)*

2 **Accounting Policies** *(continued)*

2.1 **Basis of preparation** *(continued)*

Going Concern

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

The directors have prepared forecasts for a period covering at least 12 months from the date of approval of these financial statements. However, given the trade of the Company is dependent on its penultimate parent company, ABB Asea Brown Boveri Ltd ("ABB"), the directors have sought confirmation from ABB that it will continue to trade with the entity and provide financial support if and when needed.

As mentioned in note 19, on 2 February 2023 the ABB group announced its intention to divest the emergency lighting business, which includes a substantial part of the Company's business. As at the date of approval of these financial statements no buyer has yet been identified. ABB has indicated its intention to continue to trade with and to make available such funds as are needed by the company for a period of at least 12 months from the date of approval of these financial statements or until the date of completion of the divestment of the business whichever is the sooner. The likelihood of a sale of the business within the period considered for going concern is uncertain. In the event the sale of the Company takes place there is uncertainty as to whether a potential buyer would support the Company to continue as a going concern

The directors have considered the ability of ABB to continue to trade and provide any financial support as and when required based on the information provided by ABB. As with any company placing reliance on other group entities for trade and 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.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the potential sale of the business as mentioned above indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate..

2.2 **Judgements and key sources of estimation uncertainty**

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

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

Notes *(continued)*

2 Accounting Policies *(continued)*

2.3 Basis of preparation *(continued)*

Pension schemes

The Trust Deed of the Thomas & Betts Retirement Benefits Scheme provides ABB Installation Products with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in the scheme is recognised in full.

An annual assessment is made as to whether the current carrying value of investments is impaired. Detailed calculations are performed based on discounting expected pre-tax cash flows and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. See note 11 for more explanation.

Pension scheme

The Company operates a number of defined benefit and defined contribution pension schemes. The surplus or deficit recognised in respect of the defined benefit schemes represents the difference between the present value of the defined benefit obligations and the fair value of the scheme assets. The assets of the schemes are held in separate trustee administered funds. The schemes are closed to future accrual.

The defined benefit schemes' assets are measured using fair values. Pension scheme liabilities are measured annually by an independent actuary using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit schemes expected to arise from employee service in the period is charged to operating profit. The interest income on scheme assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are netted and included in finance income/expense. Re-measurement gains and losses are recognised in the statement of comprehensive income in full in the period in which they occur. The defined benefit scheme surplus or deficit is recognised in full and presented on the face of the Company balance sheet.

Company management consider it appropriate to recognise the IAS 19 surplus in the Thomas & Betts Retirement Benefits Scheme as the rules governing the scheme provide an unconditional right to a refund assuming the gradual settlement of the scheme's liabilities over time until there are no members left, as per IFRIC 14.11 (b). On a winding up scenario, any surplus would be returned to the Company. As there is no right to a refund for the Augat Limited Pension and Life Assurance Scheme the surplus is fully restricted.

The Company's contributions to defined contribution schemes are charged to the income statement in the period to which the contributions relate.

The discount rate used for the calculation of the Defined benefit obligation are set using the WTW UK Rate: Link 40:90 curve which is an acceptable range for FRS101 purposes.

Notes *(continued)*

2 Accounting Policies *(continued)*

2.3 Significant accounting policies *(continued)*

Revenue recognition

Under the agreement between the Company and ABB BV, costs incurred by the Company in its ordinary course of business, excluding any restructuring costs, are recharged to ABB BV at the time the costs are charged to the Profit & Loss Account, and recorded as revenue. Commissions are earned when the sale of products is recognised.

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the Financial Statements.

Research and development expenditure

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Freehold land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	50 years
Freehold Land	not depreciated
Leasehold improvements	life of the lease
Plant and machinery	4 to 10 years
Fixtures, fittings, tools and equipment	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2 Accounting Policies (continued)

2.3 Significant accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate

at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Investments

Investments are valued at cost unless, in the opinion of the Directors, there has been an impairment, in which case they are immediately written down to cost less amounts written off for impairment losses.

3 Turnover

	2022 £000	2021 £000
The analysis of turnover by geographical area attributable to the Company's principal activity is as follows:		
Europe	<u>2,893</u>	<u>2,290</u>

4 Other interest receivable and similar income

	2022 £000	2021 £000
Other interest	<u>33</u>	<u>-</u>
	<u>33</u>	<u>-</u>

5 Other finance income

	2022 £000	2021 £000
Expected return on pension scheme assets (note 15)	805	593
Interest on pension scheme liabilities (note 15)	(652)	(494)
Interest on irrecoverable surplus (note 15)	<u>(26)</u>	<u>(6)</u>
	<u>127</u>	<u>93</u>

The amounts disclosed represent the combined total for the two defined benefit pension schemes disclosed in Note 15.

Notes (continued)

6 Profit/(Loss) before taxation

	2022 £000	2021 £000
<i>Profit/(Loss) before taxation is stated after charging:</i>		
Auditor's remuneration - audit of these financial statements	12	12
Rental charges – plant and machinery	3	2
Research and development expenditure	113	101
Exchange loss	10	2
Depreciation of tangible fixed assets	53	36

7 Tax on profit/(loss)

	2022 £000	2021 £000
<i>UK Corporation tax:</i>		
Current UK tax at 19% (2021: 19%)	-	(180)
Adjustment in respect of prior years	180	(12)
Total current tax credit/charge	180	(192)
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 14)	40	238
Impact of increase in rate of taxation	-	394
Adjustment in respect of prior years	(237)	12
Total deferred tax credit/charge	(197)	644
Tax on (loss)	(17)	452

Factors affecting the tax charge for the current year

The tax charge for the year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
<i>Tax reconciliation</i>		
(Loss) before tax	(1,831)	(13)
Tax at 19% (2021: 19%)	(348)	(2)
<i>Effect of:</i>		
Expenses not deductible for tax purposes	381	54
Depreciation in excess of capital allowances	(7)	6
Utilisation of advance corporation tax	-	-
Effect of tax rate changes	14	394
Deferred tax effect of increased rate	-	-
Adjustment in respect of prior years	(57)	-
Tax (credit)/charge	(17)	452

Factors that may affect future tax charges

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

Notes (continued)

The UK deferred tax liability as at 31 December 2022 was calculated at 25% (2021: 25%).

There are unrecognised deferred tax assets amounting to £149,000 (2021: £149,000) in relation to advance corporation tax on dividends paid in prior years. Any utilisation of this asset in future years would reduce the Corporation tax liability in those future periods.

8 Directors' remuneration

The Directors are employed and remunerated by other group companies. No recharge is made for their services to the Company, but an allocation of their time spent results in a charge of £34,174 (2021: £26,409) being borne by other group entities.

9 Staff numbers and cost

On 1 May 2015, all employees were transferred to the Company's immediate parent company ABB Limited and the employee costs are recharged to the Company.

The average number of employees whose costs were recharged to the Company in 2021 was 40 (2021: 42).

	2022 £000	2021 £000
The aggregate costs of these persons were as follows:		
Wages and salaries	1,212	1,190
Social security costs	125	110
Other pensions	134	129
	<u>1,471</u>	<u>1,429</u>

10 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings tools and equipment £000	Total £000
Cost:				
At beginning of year	739	251	532	1,522
Additions	15	155	77	247
Disposals	-	(11)	(15)	(26)
At end of year	<u>754</u>	<u>395</u>	<u>594</u>	<u>1,743</u>
Accumulated depreciation:				
At beginning of year	331	249	497	1,077
Charged for the year	12	3	38	53
On disposals	-	(11)	(15)	(26)
At end of year	<u>343</u>	<u>241</u>	<u>520</u>	<u>1,104</u>
Net book value:				
At 31 December 2022	<u>411</u>	<u>154</u>	<u>74</u>	<u>639</u>
At 31 December 2021	<u>408</u>	<u>2</u>	<u>35</u>	<u>445</u>

The net book value of freehold land and buildings includes £157,000 (2021: £157,000) of non-depreciable land.

Notes (continued)

11 Investments

	Shares in Group undertakings £000
Cost	
At 1 January 2022 and 31 December 2022	<u>21,991</u>
Provision against investments	
At 1 January 2022	(10,195)
Impairment in year	<u>(1,977)</u>
At 31 December 2022	<u>(12,172)</u>
Net book value	
At 31 December 2022	<u>9,819</u>
At 31 December 2021	<u>11,796</u>

During the year, the carrying value of the Company's investment is reviewed to determine whether there is an indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of the investment is calculated based on its value in use. This is determined by discounting the estimated future cash flows of the entity to its present value using a pre-tax discount rate that reflects current market assessments of the value of money and the risks specific to that entity, for which estimates of future cash flows have not been adjusted.

In the current year the investment was subject to impairment testing and the Company has identified an indication of impairment of £1,977,000 which has been booked.

The cashflows used in the value in use assessment go out to 31 December 2027, with a terminal growth rate of 2% (2021: 2%) applied at this date based on long-term projections of CPIH. These cash flows were discounted using a pre-tax discount rate of 10.8% (2021: 10%) based on a CAPM model underpinned by observable inputs.

The key assumptions to which the recoverable amount is most sensitive are the forecast future cash flows, the terminal growth rate and the discount rate. These therefore represent key areas of estimation uncertainty. Any change in the key assumptions could lead to a material change in the recoverable amount.

Notes (continued)

11 Investments (continued)

The sensitivities regarding the principle assumptions used to determine the recoverable amount are set out below.

Assumption	Change in assumption	Headroom/(impairment) £000
Discount rate	Increase to 11.8%	(236)
Discount rate	Decrease to 9.8%	298
Terminal growth	Increase to 3%	209
Terminal growth	Decrease to 1%	(166)
Future cash flows	Reduction by 10%	(191)
Future cash flows	Increase by 10%	191

At the year end the Company held investments in the following subsidiary undertakings:

<i>Subsidiary undertakings</i>	<i>Country of Incorporation</i>	<i>Percentage of ordinary share capital directly owned</i>	<i>Principal activity</i>
W J Furse & Co Limited	England	100%	Manufacturing

Its registered office is, Daresbury Park, Daresbury, Warrington Cheshire WA4 4BT

12 Debtors

	2022 £000	2021 £000
Amounts owed by group undertakings	2,696	2,358
Other debtors	117	107
Prepayments and accrued income	14	14
Corporation tax	57	487
	<u>2,884</u>	<u>2,966</u>

13 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank overdraft	6	6
Trade creditors	87	52
Amounts owed to group undertakings	467	284
Corporation tax	2	-
Other taxes and social security	2	-
Accruals and deferred income	140	89
	<u>704</u>	<u>431</u>

Notes (continued)

14 Provisions for liabilities – deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2022 £000	2021 £000
Total effect of timing differences:		
Tangible fixed assets	98	60
Pension assets	(1,191)	(1,670)
Tax value of losses carried forward	192	-
Deferred tax liability	(901)	(1,610)

Movement in deferred tax during the year

	1 January 2022 £000	Recognised in income £000	Recognised in equity £000	31 December 2022 £000
Tangible fixed asset	60	38	-	98
Pension asset	(1,670)	(33)	512	(1,191)
Tax value of losses carried forward	-	192	-	192
Deferred tax liability	(1,610)	197	512	(901)

Movement in deferred tax during the prior year

	1 January 2021 £000	Recognised in income £000	Recognised in equity £000	31 December 2021 £000
Tangible fixed assets	57	3	-	60
Pension asset	(1,305)	(635)	270	(1,670)
Tax value of losses carried forward	12	(12)	-	-
Deferred tax liability	(1,236)	(644)	270	(1,610)

15 Pension schemes

The Company operated a defined contribution scheme until 30 April 2015. The pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £Nil (2021: £Nil). At 31 December 2022 there were no outstanding contributions (2021: £Nil).

During the year the Company made no payments into employee private pension schemes (2021: £Nil).

The Company has two defined benefit schemes. Where there are references to this note throughout the Financial Statements, the totals of the two schemes disclosed need to be aggregated. Both of these schemes' funds are administered by trustees and are independent of the Company's finances.

Thomas & Betts Retirement Benefits Scheme

The Company operates a defined benefit pension scheme providing benefits based on final pensionable pay, the Thomas & Betts Retirement Benefits Scheme.

The most recent actuarial valuation as at 31 December 2019 showed the plan assets at £35,100,000 representing 105% of the value of benefits that had accrued to in-service, deferred and pensioner members.

Notes (continued)

15 Pension scheme (continued)

Having taken legal advice with regards to the rights of the Company under the relevant Trust deed and rules of the Thomas & Betts Retirement Benefits Scheme, it has been determined that the surplus is recoverable by the Company and therefore can be recognised.

All active members opted out from active service from 1 January 2012. Therefore, there will be no requirement for contributions in respect of future service after that date.

The actuarial valuation used for IAS 19 has been based on the actuarial valuation at 31 December 2019 updated to 31 December 2022 by an independent qualified actuary. The next full actuarial valuation was due as at 31 December 2022. As required by IAS 19, the defined benefit liabilities have been measured using the projected unit method.

The information disclosed below is in respect of the whole of the plan for which the Company is the sponsoring employer throughout the periods shown.

	2022	2021
	£000	£000
Present value of funded defined benefit obligations	(19,394)	(29,130)
Fair value of plan assets	24,157	35,813
Net pension balance	4,763	6,683
Movements in present value of defined benefit obligation		
	2022	2021
	£000	£000
At 1 January	(29,130)	(30,800)
Interest cost	(547)	(410)
Actuarial loss	(368)	(92)
Benefits paid	868	688
Changes in assumptions underlying the present value of scheme liabilities	9,783	1,484
At 31 December	(19,394)	(29,130)
Movements in fair value of plan assets		
	2022	2021
	£000	£000
At 1 January	35,813	37,671
Expected return on plan assets	674	503
Actuarial loss	(11,462)	(1,673)
Benefits paid	(868)	(688)
At 31 December	24,157	35,813

Notes (continued)

15 Pension scheme (continued)

(Expense)/income recognised in the profit and loss account

	2022 £000	2021 £000
Interest on defined benefit pension plan obligation (note 5)	(547)	(410)
Expected return on defined benefit pension plan assets (note 5)	674	503
Total	127	93

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is a loss of £2,047,000 (2021: £280,000).

Cumulative actuarial losses reported in the statement of comprehensive income for accounting periods ending on or after 22 June 2002 are £13,439,000 (2021: £11,392,000).

The fair value of the plan assets and the return on those assets were as follows:

	2022 £000	2021 £000
Bonds	24,144	35,787
Others	13	26
Total	24,157	35,813
Actual return on plan assets	(30.1%)	(3.1%)

None of the plan assets are represented by financial instruments of the Entity. None of the plan assets are occupied or used by the Entity.

As there are no active members, and the scheme trustees are looking to keep risk to a minimum, the majority of the scheme's assets are held in bonds.

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2022 %	2021 %
Discount rate	4.95	1.9
Rate of increase of pensions in payment (Pre 1 January 1996)	0.0	0.0
Rate of increase of pensions in payment (1 January 1996 to 5 April 2006)	3.0	3.0
Rate of increase of pensions in payment (Post 5 April 2006)	2.15	2.15
Rate of increase of pensions in deferment	3.05	3.05
Inflation assumption	3.5	3.5

In valuing the liabilities of the pension fund at 31 December 2022 mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Notes (continued)

15 Pension scheme (continued)

Current pensioner aged 65: 21.6 (2021: 21.5) years (male), 23.9 (2021: 23.8) years (female).

Future retiree aged 50 upon reaching 65: 22.5 (2021: 22.4) years (male), 25.0 (2021: 24.9) years (female).

The UK Statistics Authority and Government responded to a consultation on potential reforms to RPI in November 2020, confirming that from February 2030 increases in RPI will be aligned with CPIH (which is broadly similar to CPI except with an allowance for housing costs). Following advice from the Company's actuaries, there was a reassessment of the assumed future difference between RPI and CPI measures of price inflation. This was adjusted from a difference of 0.95% p.a. as at the prior year-end to a gap of 0.45% at the 2020 year-end.

This resulted in an estimated actuarial loss of £800,000 being recognised within the actuarial gains and losses within the other comprehensive income in that year.

The average weighted maturity profile of the scheme is 12.4 years.

Sensitivity Analysis

The present value of the defined benefit obligation is £19,394,000 (2021: £29,130,000).

The sensitivity analysis for the amendments to key assumptions are as follows:

Assumptions used		Sensitivity analysis	Effect on Defined Benefit Obligation
			£000
Discount Rate	4.95%	0.25% increase	(561)
Inflation (CPI measure)	3.05%	0.25% increase	279
Longevity	107%/108% of SAPS 'S3' tables for males/females, with improvements in line with CMI 2019 core projections model	Increase of 1 year in expected lifetime of scheme members	969

There was a significant increase in UK bond yields over the year to 31 December 2022, which resulted in a material reduction in both the asset and liability valuations compared with the results reported at 31 December 2021. FRS101 requires the defined benefit obligation (DBO) to be calculated at the present value of future liabilities discounted at a rate set with reference to market yields on high quality corporate bonds at the reporting date. The pension scheme assets are invested in a mixture of UK corporate and government bonds designed to move broadly in line with the scheme liabilities for changes to bond yields. Consequently, the increase in yields had the impact of lowering both the liability and asset valuations, with the net impact through 'Remeasurement on defined benefit pension scheme' being a loss of £1,679,000.

The sensitivities above provide an indication of the potential changes to the scheme liabilities for a limited range of assumption changes and they are intended to be exhaustive of the possible assumption changes that may be observed in practice. Over 2022, there were significant increases in long-term UK bond yields resulting in a material increase to the discount rate assumptions between 2021 and 2022. The impact from a wider range of sensitivities can be extrapolated from the information provided above.

Notes (continued)

15 Pension scheme (continued)

Methods and Assumptions used in Sensitivity Analysis

The sensitivity analysis is based on indicative calculations using a methodology consistent with that used for the determination of the Defined Benefit Obligation. The scenarios illustrated are not intended to represent a complete range for each assumption and do not represent upper or lower bounds on what could happen. The sensitivities have been calculated separately. The combined effect of two or more changes could differ from the sum of the figures shown.

Description of Asset-Liability Matching Strategies

The Scheme's assets are invested in a suitably diversified mix of real and fixed securities that match the nature, term and currency of the Scheme's liabilities. The asset portfolio is designed to fully hedge the Scheme's exposure to both interest and inflation risk.

History of plan

The history of the plan for the current and prior periods is as follows:

Experience adjustments

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Difference between the expected and actual return on scheme assets:					
Amount	(11,462)	(1,673)	3,218	2,143	(977)
Percentage of scheme assets	(47.4%)	(4.7%)	8.5%	6.1%	(2.9%)

Experience gains and losses on scheme liabilities:

Amount	(368)	(92)	704	90	7
Percentage of scheme liabilities	(1.9%)	(0.3%)	2.3%	0.3%	0.0%

Total amount recognised in statement of comprehensive income

Amount	(2,047)	(280)	1,098	(1,378)	475
Percentage of the present value of scheme liabilities	(10.6%)	(1.0%)	3.6%	(4.7%)	1.8%

The Company made no contributions during 2022 (2021: £Nil).

Augat Limited Pension and Life Assurance Scheme

This scheme is closed and includes only deferred members. It is operated by the Company, and until 31 December 2013 was disclosed within the figures of the parent company, Thomas & Betts Holdings (UK). During 2014 the decision was taken to place that company into liquidation, and as part of that process, the Augat Limited Pension and Life Assurance Scheme has been transferred to ABB Installation Products Limited.

Having taken legal advice with regards to the rights of the Company under the relevant Trust deed and rules of the Augat Limited Pension and Life Assurance Scheme, it has been determined that the surplus is not recoverable by the Company and therefore cannot be recognised.

Notes (continued)

15 Pension scheme (continued)

The most recent actuarial valuation was carried out on 31 December 2019. The results of that valuation show the Plan assets at £5,800,000 representing 88% of the amount needed to cover the liabilities.

A new schedule of contributions dated 25 February 2021 was agreed between the Trustees and the Company which confirmed the additional £800,000 of Company contributions paid into the fund during 2021. No further contributions are required under this schedule.

The actuarial valuation used for IAS 19 has been based on the actuarial valuation at 31 December 2019 updated to 31 December 2022 by an independent qualified actuary. The next full actuarial valuation was due as at 31 December 2022. As required by IAS 19 the defined benefit liabilities have been measured using the projected unit method. The information disclosed below is in respect of the whole of the plan for which the Company is the sponsoring employer throughout the period shown.

	2022	2021
	£000	£000
Present value of funded defined benefit obligations	(3,464)	(5,724)
Fair value of plan assets	4,040	7,090
Surplus in the scheme	576	1,366
Irrecoverable surplus	(576)	(1,366)
Net pension balance	-	-

Movements in present value of defined benefit obligation

	2022	2021
	£000	£000
At 1 January	(5,724)	(6,171)
Interest cost	(105)	(84)
Actuarial gain	12	2
Benefits paid	395	-
Changes in assumptions underlying the present value of scheme liabilities	1,958	529
Changes in demographic assumptions	-	-
At 31 December	(3,464)	(5,724)

Movements in fair value of plan assets

	2022	2021
	£000	£000
At 1 January	7,090	6,616
Expected return on plan assets	131	90
Actuarial loss	(2,786)	(416)
Benefits paid	(395)	-
Employers contributions	-	800
At 31 December	4,040	7,090

Notes (continued)

15 Pension scheme (continued)

Expense recognised in the profit and loss account

	2022	2021
	£000	£000
Interest on defined benefit pension plan obligation (note 5)	(105)	(84)
Expected return on defined benefit pension plan assets (note 5)	131	90
Interest on irrecoverable surplus in year (note 5)	(26)	(6)
Total	-	-

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £Nil (2021: £800,000).

Cumulative actuarial losses reported in the statement of comprehensive income for accounting periods ending on or after 22 June 2002 are £3,326,000 (2021: £3,326,000).

The fair value of the plan assets and the return on those assets were as follows:

	2022	2021
	£000	£000
Bonds	3,817	7,082
Others	223	8
Total	4,040	7,090
Actual return on plan assets	(37.4%)	(4.9%)

None of the plan assets are represented by financial instruments of the Entity. None of the plan assets are occupied or used by the Entity.

As there are no active members, and the scheme trustees are looking to keep risk to a minimum, most of the scheme assets are held in bonds.

The pension surplus on the Balance Sheet has been fully restricted in accordance with FRS 101's asset ceiling provisions and the requirements of IFRIC14.

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2022	2021
	%	%
Discount rate	4.95	1.9
Rate of increase of pensions in payment (Pre 6 April 1997)	3.0	3.0
Rate of increase of pensions in payment (Post 5 April 1997)	3.55	3.55
Rate of increase of pensions in deferment	5.0	5.0
Inflation assumption	3.5	3.5

Notes (continued)

15 Pension scheme (continued)

In valuing the liabilities of the pension fund at 31 December 2022 mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 21.6 (2021: 21.5) years (male), 23.9 (2021: 23.8) years (female).

Future retiree aged 50 upon reaching 65: 22.5 (2021: 22.4) years (male), 25.0 (2021: 24.9) years (female).

The UK Statistics Authority and Government responded to a consultation on potential reforms to RPI in November 2020, confirming that from February 2030 increases in RPI will be aligned with CPIH (which is broadly similar to CPI except with an allowance for housing costs). Following advice from the Company's actuaries, there was a reassessment of the assumed future difference between RPI and CPI measures of price inflation. This was adjusted from a difference of 0.75% p.a. as at the prior year-end to a gap of 0.45% at the 2020 year-end.

The average weighted maturity profile of the scheme is 13.5 years.

Sensitivity Analysis

The present value of the defined benefit obligation is £ 3,464,000 (2021: £5,724,000).

The sensitivity analysis for the amendments to key assumptions are as follows:

	Assumptions used	Sensitivity analysis	Effect on Defined Benefit Obligation
			£000
Discount Rate	4.95%	0.25% increase	(109)
Inflation (CPI measure)	3.05%	0.25% increase	14
Longevity	107%/108% of SAPS 'S3' tables for males/females, with improvements in line with CMI 2019 core projections model	Increase of 1 year in expected lifetime of scheme members	163

Notes (continued)

15 Pension scheme (continued)

There was a significant increase in UK bond yields over the year to 31 December 2022, which resulted in a material reduction in both the asset and liability valuations compared with the results reported at 31 December 2021. FRS101 requires the defined benefit obligation (DBO) to be calculated at the present value of future liabilities discounted at a rate set with reference to market yields on high quality corporate bonds at the reporting date. The pension scheme assets are invested in a mixture of UK corporate and government bonds designed to move broadly in line with the scheme liabilities for changes to bond yields. Consequently, the increase in yields had the impact of lowering both the liability and asset valuations, with the net impact through 'Remeasurement on defined benefit pension scheme' being a loss of £827,000.

The sensitivities above provide an indication of the potential changes to the scheme liabilities for a limited range of assumption changes and they are intended to be exhaustive of the possible assumption changes that may be observed in practice. Over 2022, there were significant increases in long-term UK bond yields resulting in a material increase to the discount rate assumptions between 2021 and 2022. The impact from a wider range of sensitivities can be extrapolated from the information provided above.

Methods and Assumptions used in Sensitivity Analysis

The sensitivity analysis is based on indicative calculations using a methodology consistent with that used for the determination of the Defined Benefit Obligation. The scenarios illustrated are not intended to represent a complete range for each assumption and do not represent upper or lower bounds on what could happen. The sensitivities have been calculated separately. The combined effect of two or more changes could differ from the sum of the figures shown.

Description of Asset-Liability Matching Strategies

The Scheme's assets are invested in a suitably diversified mix of real and fixed securities that match the nature, term and currency of the Scheme's liabilities. The asset portfolio is designed to fully hedge the Scheme's exposure to both interest and inflation risk.

History of plan

The history of the plan for the current and prior periods is as follows:

Experience adjustments

	2022	2021	2020	2019	2018
	£000	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets					
Amount:	(2,786)	(416)	729	678	(271)
Percentage of scheme assets	(69.0%)	(5.9%)	11.0%	11.7%	(4.6%)
Experience gains and losses on scheme liabilities:					
Amount	12	2	(51)	(49)	(13)
Percentage of scheme liabilities	0.3%	0.0%	(0.8%)	(0.9%)	(0.2%)
Total amount recognised in statement of comprehensive income					
Amount	-	(800)	30	-	(247)
Percentage of the present value of scheme liabilities	0%	(14.0%)	0.5%	0%	(4.7%)

The Company made contributions of £Nil during the year (2021: £800,000).

Notes (continued)

16 Called up share capital

	2022	2021
	£000	£000
<i>Authorised, allotted, called up and fully paid:</i>		
4,730,293 Ordinary shares of £1 each	<u>4,730</u>	<u>4,730</u>

17 Capital commitments

The Company has capital commitments at 31 December 2022 of £38,000 (2021: £14,000).

18 Ultimate parent undertaking

The Company is a subsidiary of ABB Limited which is incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking and the controlling party of the group into which the Financial Statements of this Company are consolidated is ABB Ltd, which is incorporated in Switzerland. Copies of the financial statements can be obtained from ABB Ltd, PO Box 8131, CH-8050, Zurich, Switzerland.

19 Post balance sheet event

On 2 February 2023 the group announced its intention to divest the emergency lighting business, which includes a substantial part of the Company's business.