

ABB LIMITED

Reports and Financial Statements
31 December 2017

Registered Number: 3780764

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COMPANIES HOUSE

REGISTERED NO. 3780764

DIRECTORS

ID Rennie
LM Andersson
IG Funnell

SECRETARY

VA Mac Lean

AUDITOR

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

BANKERS

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

REGISTERED OFFICE

Daresbury Park
Daresbury
Warrington
Cheshire
WA4 4BT
United Kingdom

STRATEGIC REPORT

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

RESULTS

The results for the year are set out on page 10. The profit for the year after taxation amounted to £43,781,000 (2016: £21,457,000).

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 division.

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

	2017 £m	2016 £m	Change %
Turnover from continuing operations	696.1	677.5	2.7%
Operating profit from continuing operations	13.2	17.0	(22.4)%
Shareholder's funds	211.5	58.1	264.0%

Macroeconomic developments in the UK and global economy continued to have a mixed effect on the Company's 2017 performance. The utilities market continued their investment activities to upgrade the aging power infrastructure, integrate renewable energy in the grid and invest in energy efficiency. In industry, investments in robotics solutions and light industries such as automotive, food and beverage remained positive while demand from the process industries, specifically oil and gas, showed some first signs of recovery but investment decisions remained highly selective. The need for cutting edge solutions to increase efficiency and to use renewable power generation to lower the environmental impact continued to be important demand drivers. Demand from the transport and infrastructure market was mixed.

During the year the Company sold its High Voltage Cables Business. Revenues in the remaining business increased compared to 2016 with revenue growth in all divisions except the Discrete Automation and Motion division which saw a decrease which was mainly due to the revenues from a large project being recognised in the prior year. Service revenues (which are generated in all of our business segments, but predominately in Industrial Automation) increased by 7% year on year.

Although revenues from continuing operations increased compared to 2016 profitability declined mainly due to the mix of business and challenges in project execution in the Power Grids business.

Orders received during the year increased by 48% largely as a result of the timing of receipt of large orders. Because of this the year-end open order book ended 39% higher than the prior year. Whilst the short term outlook remains mixed with oil prices expected to continue to have an impact, the long term demand outlook in the Company's major customer sectors – utilities, industry, and transport and infrastructure – remains positive. Key drivers are the need for efficient, reliable electricity transmission and distribution as well as growing demand for automation solutions. The order book remains strong and this combined with positive demand indicators in both our long and short cycle activities and strong cost and working capital control, provide a positive outlook for continued profitability in the short and medium term.

STRATEGIC REPORT (continued)

RISKS AND UNCERTAINTIES

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

The management team operates a comprehensive risk review process to address all commercial, delivery and financial aspects of both prospects in pursuit and projects in execution. It also specifically monitors and reviews all aspects of health and safety on a monthly basis. Extensive training of all staff is undertaken to reduce the risk of failure to comply with best practice or legislative standards which could have a material impact on the Company's licence to operate.

Financial risks are addressed as part of a stringent process of budgeting and forecasting. Credit assessments are made of all new customers and appropriate limits set and monitored. A rolling forecast of cash flows is maintained and 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.

The result of the UK referendum in June 2016 to leave the European Union has resulted in increased uncertainty in the markets as the exit process progresses. The Company has established a Brexit Taskforce to ensure that all potential implications are sufficiently considered and understood for both prospects in pursuit and projects in execution and appropriate mitigation actions put in place where possible.

By order of the Board



VA Mac Lean
Secretary

Dated 17 April 2018

DIRECTORS' REPORT

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

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and subsequently were:

ID Rennie
LM Andersson
IG Funnel

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

GOING CONCERN

The Directors consider that the Company has adequate resources to continue in operation for the foreseeable future. In forming this view, the Directors have reviewed budgets and other financial information. For this reason they continue to adopt the going concern basis in preparing the accounts.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each Director has taken all the steps that he 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 2017, ABB announced that its Board has decided to appoint KPMG as its external auditor effective for the financial year 2018.

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

By order of the board

VA Mac Lean

VA Mac Lean
Secretary

Dated 17 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE REPORTS AND FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABB LIMITED

Opinion

We have audited the Financial Statements of ABB Limited for the year ended 31 December 2017 which comprise the Statement of Profit and Loss, Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes 1 to 30 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion, the Financial Statements:

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

Basis for opinion

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

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

Use of our report

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 6, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

Ernst & Young LLP

Signature

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

Date: *17 April 2018*

STATEMENT OF PROFIT AND LOSS
 for the year ended 31 December 2017

		2017	2016
		£'000	£'000
CONTINUING OPERATIONS	<i>Notes</i>		
Turnover	3	696,111	677,508
Cost of sales	4	<u>(633,776)</u>	<u>(621,388)</u>
GROSS PROFIT		62,335	56,120
Net operating expenses	4	<u>(49,123)</u>	<u>(39,101)</u>
OPERATING PROFIT	5	13,212	17,019
Disposal / impairment of investments	16	(5,555)	(58,530)
Profit on disposal of discontinued business	6	<u>42,689</u>	<u>-</u>
PROFIT BEFORE INTEREST, OTHER FINANCE INCOME AND TAXATION		50,346	(41,511)
Dividend income		414	66,286
Interest receivable	7, 10	694	633
Interest payable and similar charges	11	(2,756)	(2,615)
Other finance expense	12	<u>(3,772)</u>	<u>(1,355)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		44,926	21,438
Tax on profit on ordinary activities	7, 13	<u>(1,654)</u>	<u>(8,074)</u>
RETAINED PROFIT FOR THE YEAR		<u>43,272</u>	<u>13,364</u>
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations	7	<u>509</u>	<u>8,093</u>
RETAINED PROFIT FOR THE YEAR		<u>43,781</u>	<u>21,457</u>

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

		2017	2016
	Notes	£'000	£'000
Profit for the year		43,781	21,457
Other comprehensive income:			
Items that cannot be reclassified to profit or loss			
Remeasurement gain / (loss) on defined benefit pensions schemes	27	132,083	(111,998)
Related deferred tax (charge) / credit	13	(22,454)	22,382
Total comprehensive income / (loss) for the year		<u>153,410</u>	<u>(68,159)</u>

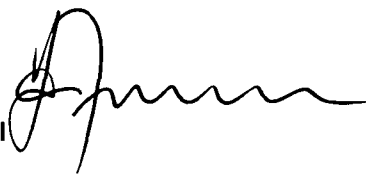
BALANCE SHEET

at 31 December 2017

		2017	2016
	Notes	£'000	£'000
FIXED ASSETS			
Intangible assets	14	15,113	15,205
Tangible assets	15	19,077	18,507
Investments	16	70,341	75,896
Other non-current assets	16	3,086	4,542
		<u>107,617</u>	<u>114,150</u>
CURRENT ASSETS			
Stocks	17	42,321	37,867
Debtors : Amounts falling due after one year	18	9,847	33,765
Amounts falling due within one year	18	323,078	354,240
Cash at bank and in hand		2,007	5,620
		<u>377,253</u>	<u>431,492</u>
CREDITORS: amounts falling due within one year	20	<u>(239,556)</u>	<u>(318,404)</u>
NET CURRENT ASSETS		<u>137,697</u>	<u>113,088</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		245,314	227,238
CREDITORS: amounts falling due after more than one year	21	(6,935)	(7,957)
PROVISIONS FOR LIABILITIES	22	<u>(12,137)</u>	<u>(12,755)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		226,242	206,526
Pension liability	27	<u>(14,756)</u>	<u>(148,450)</u>
NET ASSETS		<u>211,486</u>	<u>58,076</u>
CAPITAL AND RESERVES			
Called up share capital	24	120,000	120,000
Profit and loss account		<u>91,486</u>	<u>(61,924)</u>
EQUITY SHAREHOLDER'S FUNDS		<u>211,486</u>	<u>58,076</u>

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

Ian Funnell
Director



Date

17 April 2018.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share Capital £'000	Retained earnings	Total Equity
At 1 January 2016	120,000	6,235	126,235
Profit for the financial year	-	21,457	21,457
Other Comprehensive income	-	(89,616)	(89,616)
Total comprehensive income for the year	-	(68,159)	(68,159)
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 31 December 2017	120,000	91,486	211,486

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006. The Company has used a true and fair override in respect of the non amortisation of goodwill (see note 2.2).

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

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

Group accounting

The Company has taken advantage of the exemption under S.401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of ABB Ltd, a company incorporated in Switzerland. A copy of the accounts 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 2017.

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;

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Going concern

The Financial Statements of the Company have been prepared on a going concern basis because the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future. In forming this view the Directors have reviewed budgets and other financial information, and have received confirmation from the ultimate parent company that they will continue to support the business to meet its liabilities as they fall due. For this reason they continue to adopt the going concern basis in preparing the accounts.

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.

Construction contracts

Construction contract arrangements are accounted for in accordance with IAS 11. This requires judgements to estimate future expected costs to be incurred. Further details on construction contracts are disclosed in the Company's accounting policies and also in Note 19.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. ACCOUNTING POLICIES *(continued)*

2.2 Judgements and key sources of estimation uncertainty *(continued)*

Intangible fixed assets

Under IFRS 3 Business Combinations, goodwill is not amortised, but is reviewed for impairment on an annual basis or whenever there are indicators of impairment. This is a departure from the requirements of the Companies Act 2006, which requires goodwill to be amortised over its useful economic life. However, the departure is necessary in order to comply with the requirements of IFRS 3. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act 2006. Had the Company amortised goodwill, a period of 20 years would have been chosen as its useful economic life. Profit for the year and net assets for the Company would have been £1,869,000 lower had goodwill been amortised on this basis and the net book value of goodwill would have been £8,168,000.

2.3 Significant accounting policies

Revenue recognition

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

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

Revenue is recognised on product sales on delivery of goods.

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

Deferred taxation

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. ACCOUNTING POLICIES *(continued)*

2.3 Significant accounting policies *(continued)*

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

Research and development

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. **ACCOUNTING POLICIES** *(continued)*

2.3 Significant accounting policies *(continued)*

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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. ACCOUNTING POLICIES *(continued)*

2.3 Significant accounting policies *(continued)*

Pensions *(continued)*

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 2017

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

	Continuing Operations £'000	2017 Discontinued Operations £'000	Total £'000	Continuing Operations £'000	2016 Discontinued Operations £'000	Total £'000
Turnover						
Industrial Automation	208,462	-	208,462	188,970	-	188,970
Electrification Products	118,017	-	118,017	107,295	-	107,295
Robotics & Motion	113,545	-	113,545	126,214	-	126,214
Power Grids	248,365	2,971	251,336	249,269	48,106	297,375
Other non trading divisions	7,722	-	7,722	5,760	-	5,760
Total	696,111	2,971	699,082	677,508	48,106	725,614

Included in the above is IAS 11 construction contract revenues of £59,994,000 in Industrial Automation and £166,813,000 in Power Grids (2016: £42,256,000 in Process Automation and £222,280,000 in Power Grids)

	Continuing Operations £'000	2017 Discontinued Operations £'000	Total £'000	Continuing Operations £'000	2016 Discontinued Operations £'000	Total £'000
Profit before Taxation						
Industrial Automation	29,547	-	29,547	4,096	-	4,096
Electrification Products	5,965	-	5,965	4,121	-	4,121
Robotics & Motion	10,317	-	10,317	7,564	-	7,564
Power Grids	(11,419)	613	(10,806)	13,815	9,992	23,807
Other non trading divisions	(21,198)	-	(21,198)	(12,577)	-	(12,577)
Operating profit	13,212	613	13,825	17,019	9,992	27,011

Profit on sale of discontinued operations	42,689	-
Investment income	414	66,286
Impairment of investments	(5,555)	(58,530)
Net interest	(2,045)	(1,858)
Other financial expense	(3,772)	(1,355)
Profit on ordinary activities before taxation	45,556	31,554

Net Assets

Industrial Automation	182,900	153,394
Electrification Products	23,286	16,481
Robotics & Motion	102,345	92,859
Power Grids	146,731	114,465
Other non trading divisions	(243,776)	(319,123)
Total	211,486	58,076

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. TURNOVER AND SEGMENTAL ANALYSIS (continued)

Geographical Market

	Continuing Operations £'000	2017 Discontinued Operations £'000	Total £'000	Continuing Operations £'000	2016 Discontinued Operations £'000	Total £'000
Turnover						
UK	529,849	-	539,849	516,503	-	516,503
Rest of Europe	124,987	2,971	127,958	116,051	48,106	164,157
Rest of World	31,275	-	31,275	44,954	-	44,954
Total	696,111	2,971	699,082	677,508	48,106	725,614

	Continuing Operations £'000	2017 Discontinued Operations £'000	Total £'000	Continuing Operations £'000	2016 Discontinued Operations £'000	Total £'000
Profit before Taxation						
UK	10,096	-	10,096	19,227	-	19,227
Rest of Europe	2,384	613	2,997	(3,881)	9,992	6,111
Rest of Worlds	732	-	732	1,673	-	1,673
Operating Profit	13,212	613	13,825	17,019	9,992	27,011

Profit on sale of discontinued operations	42,689	-
Investment income	414	66,286
Impairment of investments	(5,555)	(58,530)
Net interest	(2,045)	(1,858)
Other financial expense	(3,772)	(1,355)
Profit on activities before taxation	45,556	31,554

Net assets held outside the UK are not material.

4. COST OF SALES AND NET OPERATING EXPENSES

	Continuing Operations £'000	2017 Discontinued Operations £'000	Total £'000	Continuing Operations £'000	2016 Discontinued Operations £'000	Total £'000
COST OF SALES	633,776	2,326	636,102	621,388	37,037	658,425
Distribution Expenses	3,260	-	3,260	3,206	-	3,206
Administrative costs	45,863	32	45,895	35,895	1,077	36,972
Net operating expenses	49,123	32	49,155	39,101	1,077	40,178

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

5. OPERATING PROFIT

This is stated after charging/ (crediting):

	2017 £'000	2016 £'000
Auditor's remuneration		
- audit of the company	375	370
- audit of the company's subsidiaries	17	15
- tax advisory	-	10
Research and Development expenditure written off	7,962	7,705
Depreciation - tangible fixed assets	2,531	2,545
- leased assets	271	311
Amortisation - capitalised software	229	227
Stocks - write down	455	1,428
Operating lease rentals		
- plant and machinery	2,382	3,624
- land and buildings	2,490	2,072
Foreign exchange profit	(306)	(3,157)
Loss on disposal of fixed assets	<u>163</u>	<u>4</u>

6. EXCEPTIONAL ITEMS

	2017 £'000	2016 £'000
Recognised below operating profit		
Disposal / impairment of investment	(5,555)	(58,330)
Profit on disposal of discontinued operations:		
Power Cables business	<u>42,689</u>	<u>-</u>
	<u>37,134</u>	<u>(58,330)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

7. DISCONTINUED OPERATIONS

On 28 February 2017 the Company disposed of its Power Cables business. The results of this business for the year are presented below:

	2017 £'000	2016 £'000
Turnover	2,971	48,106
Cost of sales	(2,326)	(37,037)
GROSS PROFIT	645	11,069
Net operating expenses	(32)	(1,077)
PROFIT BEFORE INTEREST, OTHER FINANCE		
INCOME AND TAXATION	613	9,992
Interest receivable	17	124
PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAXATION	630	10,116
Tax on profit	(121)	(2,023)
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	509	8,093

8. STAFF COSTS

	2017 £'000	2016 £'000
Wages and salaries	110,170	111,723
Social security costs	13,849	13,932
Other pension costs	22,149	19,557
	146,168	145,212
Other pension costs comprise:		
Defined benefit schemes:		
Service cost (Note 27)	10,665	8,492
Accrual of expected future admin costs (Note 27)	1,974	2,341
Cost of termination benefits (Note 27)	-	46
Total defined benefit scheme cost	12,639	10,879
Defined contribution schemes	9,510	8,676
	22,149	19,555

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. STAFF COSTS (continued)

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

	2017 No.	2016 No.
Research and Development	49	52
Manufacturing and Installation Business	340	335
Engineering	690	730
Sales, Marketing, Consulting and Office Management	641	688
	<u>1,720</u>	<u>1,805</u>

In addition to the employees shown above there are 389 people (2016: 426 people) whose costs have been recharged to other group companies.

9. DIRECTORS' REMUNERATION

	2017 £'000	2016 £'000
Emoluments (excluding pension contributions)	<u>979</u>	<u>1,543</u>
Amounts (excluding shares) receivable under long term incentive plans	<u>-</u>	<u>86</u>
Pension contributions	<u>64</u>	<u>63</u>

No directors (2016: one) were members of the company's defined benefit pension scheme.

Two of the directors (2016: two) participate in defined contribution schemes.

One director (2016: two) exercised share options.

	2017 £'000	2016 £'000
Highest paid director:		
Emoluments and amounts receivable under long term incentive plans (excluding pension contributions)	<u>354</u>	<u>687</u>
Accumulated accrued defined benefit pension at year end	<u>-</u>	<u>92</u>

10. INTEREST RECEIVABLE

	2017 £'000	2016 £'000
Group interest receivable	707	741
Bank deposit interest	1	16
Other interest receivable	3	-
	<u>711</u>	<u>757</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Group interest payable	2,330	2,188
Finance charges under finance leases and HP contracts	426	424
Other interest payable	-	3
	<u>2,756</u>	<u>2,615</u>

12. OTHER FINANCE EXPENSE

	2017 £'000	2016 £'000
Net interest on defined benefit liability	<u>(3,772)</u>	<u>(1,355)</u>

13. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax	774	145
Adjustments in respect of prior years	<u>(463)</u>	<u>(1)</u>
	<u>311</u>	<u>144</u>
Deferred tax:		
Origination and (reversal) of timing differences	23,999	(14,689)
Impact of reduction in rate of taxation	-	2,244
Adjustments in respect of prior years	<u>(81)</u>	<u>16</u>
Total deferred tax charge / (credit)	<u>23,918</u>	<u>(12,429)</u>
	<u>24,229</u>	<u>(12,285)</u>
Taxation charge / (credit)	<u>24,229</u>	<u>(12,285)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

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

	2017 £'000	2016 £'000
Profit and loss account:		
Tax on ordinary activities	1,775	8,685
Impact of reduction in rate of taxation	-	1,412
	<u>1,775</u>	<u>10,097</u>
Statement of Other Comprehensive Income:		
Deferred tax asset / (liability)		
recognised in the pension schemes	22,454	(23,214)
Impact of reduction in rate of taxation	-	832
	<u>22,454</u>	<u>(22,382)</u>
	<u>24,229</u>	<u>(12,285)</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 19.25% (2016: 20.00%). The differences are reconciled below:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	<u>45,556</u>	<u>31,554</u>
Profit on ordinary activities multiplied by standard rate		
of corporation tax in the UK of 19.25% (2016 20.00%)	8,768	6,310
Expenses not deductible for tax purposes	915	490
Impairment of investment	1,069	11,706
Non-taxable income	(8,296)	(13,257)
Permanent fixed asset timing differences	10	(4)
Change in tax rate	-	1,412
Difference between current and deferred tax rate	(147)	3,424
Tax over provided in prior years	(544)	16
Total current tax	<u>1,775</u>	<u>10,097</u>

The Company has tax trading losses arising and carried forward in the UK of £31,350,000 (2016: £38,919,000) 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 (2016: £29,220,000 per original provision, revised to £34,662,000 in final computation) which are available indefinitely for offset against future capital gains in any part of the UK group.

The Company has future tax adjustments in the UK of £9,142,000 (2016: £9,406,000) relating to decelerated capital allowances, and of £17,436,000 (2016: £150,296,000) 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 2017

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

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

	2017 £'000	2016 £'000
Pension deficit	2,508	25,236
Tax losses	5,329	6,617
Decelerated capital allowances	1,554	1,599
Other timing differences	456	313
	<u>9,847</u>	<u>33,765</u>

This total deferred tax asset recognised of £9,847,000 (2016: £33,765,000) is reflected in these accounts as follows:

	2017 £'000	2016 £'000
Brought forward at 1 January	33,765	21,336
Movement in the year - P&L	(1,464)	(9,953)
Movement in the year – OCI	(22,454)	22,382
Carried forward at 31 December (Debtor Note 18)	<u>9,847</u>	<u>33,765</u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

14. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £'000	<i>Software</i> £'000	<i>Total</i> £'000
Cost:			
At 1 January 2017	14,704	11,778	26,482
Reclassification	-	107	107
Additions	-	42	42
Disposals	-	(53)	(53)
At 31 December 2017	<u>14,704</u>	<u>11,874</u>	<u>26,578</u>
Amortisation:			
At 1 January 2017	-	11,277	11,277
Amortisation during the year	-	229	229
Disposals	-	(41)	(41)
At 31 December 2017	<u>-</u>	<u>11,465</u>	<u>11,465</u>
Net book value at 31 December 2017	<u>14,704</u>	<u>409</u>	<u>15,113</u>
Net book value at 31 December 2016	<u>14,704</u>	<u>501</u>	<u>15,205</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 2017	17,876	33,029	50,905
Reclassifications	-	(107)	(107)
Additions	723	2,923	3,646
Disposals	(908)	(1,231)	(2,139)
At 31 December 2017	<u>17,691</u>	<u>34,614</u>	<u>52,305</u>
Depreciation:			
At 1 January 2017	8,605	23,793	32,398
Charged during the year	348	2,454	2,802
Disposals	(908)	(1,064)	(1,972)
At 31 December 2017	<u>8,045</u>	<u>25,183</u>	<u>33,228</u>
Net Book Value at 31 December 2017	<u>9,646</u>	<u>9,431</u>	<u>19,077</u>
Net Book Value at 31 December 2016	<u>9,271</u>	<u>9,236</u>	<u>18,507</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

15. TANGIBLE FIXED ASSETS *(continued)*

The net book value of land & buildings consisted of:

	2017 £'000	2016 £'000
Freehold	8,726	8,545
Long Leasehold	570	438
Short Leasehold	350	288
	<u>9,646</u>	<u>9,271</u>

The net book value of fixed assets includes an amount of £1,240,000 (2016: £724,000) in respect of assets held under finance leases. The cost of land is £3,857,549 (2016: £3,857,549).

16. INVESTMENTS AND OTHER NON CURRENT ASSETS

	2017 £'000	2016 £'000
Investment in subsidiaries	<u>70,341</u>	<u>75,896</u>
Other non current assets		
Restricted cash deposits	1,354	2,923
Forward currency contracts	<u>1,732</u>	<u>1,619</u>
Total other non-current assets	<u>3,086</u>	<u>4,542</u>

Investments in subsidiaries

	2017 £'000
Cost	
At 1 January 2017	171,799
Disposal	(477)
At 31 December 2017	<u>171,322</u>
Amounts provided	
At 1 January 2017	95,903
Impairment in year	5,078
At 31 December 2017	<u>100,981</u>
Net book value at 31 December 2017	<u>70,341</u>
Net book value at 31 December 2016	<u>75,896</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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
PMA UK Limited	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

Indirect

WJ Furse & Co Limited	27/28 Eastcastle Street, London, W1W 8DH
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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>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>
Restricted cash	<u>1,354</u>	<u>2,923</u>

The company holds £1,354,000 (2016: £2,923,000) 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>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>
Forward currency derivative contracts	<u>1,732</u>	<u>1,619</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

17. STOCKS

	2017	2016
	£'000	£'000
Raw materials and consumables	5,798	5,573
Work in progress	16,324	23,781
Finished goods	20,199	8,513
	<u>42,321</u>	<u>37,867</u>
Work in progress:		
Net costs less foreseeable losses	19,062	30,949
Applicable payments on account	(2,738)	(7,168)
	<u>16,342</u>	<u>23,781</u>

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

18. DEBTORS

	2017	2016
	£'000	£'000
Amounts falling due after one year		
Deferred tax (Note 12)	<u>9,847</u>	<u>33,765</u>
Amounts falling due within one year		
Forward currency derivative contracts	442	3,165
Trade debtors	86,537	82,558
Amounts owed by group undertakings	177,020	234,875
Other debtors	6,404	8,496
Prepayments	2,280	2,104
Amounts recoverable on contracts	48,521	21,991
Corporation tax receivable	1,874	1,051
	<u>323,078</u>	<u>354,240</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

19. CONSTRUCTION CONTRACTS

	2017 £'000	2016 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in debtors (Note 18)	47,429	34,758
Amounts due from contract customers included in work in progress (Note 17)	12,969	7,073
Amounts due to contract customers included in creditors (Note 20)	(19,030)	(15,112)
	<u>41,368</u>	<u>26,719</u>
Contract costs incurred plus profit, less recognised losses to date	1,219,671	1,176,302
Less progress billings	(1,178,303)	(1,149,583)
	<u>41,368</u>	<u>26,719</u>

At 31 December 2017, retentions held by customers for contract work amounted to £nil (2016: £nil).
Advances received from customers for contract work amounted to £1,303,000 (2016: £14,906,000).

20. CREDITORS: amounts falling due within one year

	2017 £'000	2016 £'000
Short term borrowings	16,737	11,788
Forward currency derivative contracts	641	6,181
Amounts owed under finance leases (Note 23)	405	208
Trade creditors	19,118	17,674
Customer advances	27,539	37,689
Payments on account of long term contracts	14,931	15,112
Amounts owed to group undertakings	79,235	146,541
Other taxes and social security costs	17,662	14,091
Other creditors	1,921	1,415
Accruals	61,367	67,705
	<u>239,556</u>	<u>318,404</u>

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

The amounts owed to group undertakings includes the amount of £nil (2016: £75 million) drawn down to date against a £nil (2016: £80 million) term facility provided to the company. The facility expired on 9 November 2017. It had attracted interest at a variable rate based on LIBOR plus a market based margin assessed annually by ABB Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

	2017 £'000	2016 £'000
Forward currency derivative contracts	5,841	7,035
Amounts owed under finance leases (Note 23)	1,094	922
	<u>6,935</u>	<u>7,957</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 2017	4,101	4,310	4,344	12,755
Charged to the P&L account during the year	1,031	29	3,425	4,485
Utilised during the year	<u>(2,482)</u>	<u>(226)</u>	<u>(2,395)</u>	<u>(5,103)</u>
Provisions at 31 December 2017	<u>2,650</u>	<u>4,113</u>	<u>5,374</u>	<u>12,137</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:	2017 £'000	2016 £'000
Within one year	830	649
Within two to five years	2,137	1,931
In over five years	22,289	22,718
	25,256	25,298
Less finance charges allocated to future periods	(23,757)	(24,168)
Present value of minimum lease payments	1,499	1,130

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

	2017 £'000	2016 £'000
Within one year	405	208
Within two to five years	454	270
In over five years	640	652
	1,499	1,130

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

	<i>Land and buildings</i>		<i>Other</i>	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	2,418	1,625	2,355	2,382
Within two to five years	4,496	3,660	1,887	3,830
In over five years	-	205	-	-
	6,914	5,490	4,242	6,212

24. SHARE CAPITAL

Ordinary shares of £1 each

	2017 No.	2016 No.	2017 £'000	2016 £'000
Authorised	140,000,000	140,000,000	140,000	140,000
Allotted, called up and fully paid	120,000,000	120,000,000	120,000	120,000

25. CAPITAL AND FINANCIAL COMMITMENTS

At 31 December 2017 there were £nil (2016: £384,198) capital commitments contracted for but not provided.

At 31 December 2017 the Company had entered into commitments to buy/sell foreign currencies in future months amounting to £46,222,467 (2016: £29,988,490).

26. CONTINGENT LIABILITIES

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

Guarantees related to contracts

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 2017, these guarantees amounted to £71,740,781 (2016: £43,818,445).

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

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.

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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 £9,510,000 (2016: £8,676,000). 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 2014 and 1 January 2016 respectively and both have been updated to 31 December 2017 by qualified independent actuaries. The next full valuation of the ABB Plan was due at 6 April 2017. This valuation is currently underway but has not yet been concluded.

The estimated actuarial valuation at 31 December 2017 showed a deficit of £14,756,000 (2016: £148,450,000). The service cost has been calculated using the projected unit method. The employer contributed an average of 17% (2016: 17%) of members' pensionable salaries plus an additional lump sum of £10 million (2016: £10 million) during the year. Contributions to the scheme in 2018 are estimated to be £17 million.

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

	At 31 December 2017	At 31 December 2016
Rate of increase in salaries	4.00%	4.5%
Rate of increase in deferred pensions	2.25%	2.75%
Rate of increase in pensions in payment	3.00%	3.30%
Discount rate	2.65%	2.75%
Inflation assumption	3.25%	3.75%

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%	(49,497)
Discount rate	decrease 0.25%	52,840

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

27. PENSIONS (continued)

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

	At 31 December 2017 £'000	At 31 December 2016 £'000
Equity securities	263,363	220,751
Debt securities	729,493	736,588
Real estate /property	123,524	127,270
Cash and cash equivalents	12,819	1,126
Derivatives	-	-
Other	36,125	40,547
Total market value of assets	1,165,324	1,126,282
Present value of scheme Liabilities	(1,173,618)	(1,271,501)
(Deficit) in the schemes	(8,294)	(145,219)
Irrecoverable surplus	(6,462)	(3,231)
Net pension liability	(14,756)	(148,450)

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 £6,462,000 (2016: £3,231,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

27. PENSIONS (continued)

Analysis of the components of the defined benefit cost.

	2017 £'000	2016 £'000
<i>Recognised in the profit and loss account</i>		
Current service cost	10,665	8,492
Accrual of expected future admin costs	1,974	2,341
Cost of termination benefits	-	46
Recognised in arriving at operating profit	12,639	10,879
Net interest on net defined benefit liability	3,772	1,355
Total recognised in the profit and loss account	16,411	12,234
<i>Taken to the statement of comprehensive income</i>		
Actual return less expected return on pension scheme assets (greater) than discount rate	(45,810)	(165,185)
Experience loss arising on scheme liabilities	(3,623)	(8,109)
Amount not recognised	3,231	(32)
(Gain) / loss arising from changes in assumptions underlying the present value of scheme liabilities	(85,881)	285,324
Actuarial (gain) / loss recognised in the statement of comprehensive income	(132,083)	111,998

Analysis of movements in the deficit during the year,

	2017 £'000	2016 £'000
At 1 January	(148,450)	(41,628)
Total operating charge	(12,639)	(10,879)
Interest on net defined benefit liability	(3,772)	(1,355)
Remeasurement effects on OCI	132,083	(111,998)
Contributions	18,022	17,410
At 31 December	(14,756)	(148,450)

27. PENSIONS *(continued)*

	2017	2016
	£'000	£'000
Change in Plan assets		
Fair value of assets at the start of the period	1,126,282	953,202
Interest income on scheme assets	30,460	36,456
Actual return less expected return on scheme assets greater than discount rate	45,810	165,185
Employer contributions	18,022	17,410
Plan participants contributions	170	483
Benefits paid	(53,466)	(44,113)
Administrative costs paid	(1,954)	(2,341)
Fair value of assets at the end of the period	<u>1,165,324</u>	<u>1,126,282</u>
	2017	2016
	£'000	£'000
Change in actuarial value of Plan liabilities		
Defined benefit obligation at the start of the period	1,271,501	991,567
Employer service cost	10,665	8,492
Interest cost	34,232	37,811
Plan participants contributions	170	483
Actuarial (gain) / loss	(89,504)	277,215
Benefits paid from plan assets	(53,446)	(44,113)
Past service costs – curtailment	-	-
Termination benefits	-	46
Plan liabilities at the end of the period	<u>1,173,618</u>	<u>1,271,501</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 £799,584 is included in administration costs in 2017 (2016: £691,207).

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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 2017 and 2016:

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>	20.80	3.8	6,234
Exercisable at 31 December 2017	<u>2,716,230</u>	<u>462,846</u>	20.55	2.0	2,578
2016	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 2016	6,564,860	1,312,972	20.33	4.8	339
Granted	1,706,260	341,252	25.50		
Forfeited	-	-	-		
Expired	(1,559,750)	(311,950)	20.33		
Sold	-	-	-		
Employees transferred in	393,065	78,613	20.20		
Employees transferred out	(490,000)	(98,000)	19.43		
Outstanding at 31 December 2016	<u>6,614,435</u>	<u>1,322,887</u>	20.45	4.4	1,332
Exercisable at 31 December 2016	<u>1,324,500</u>	<u>264,900</u>	20.55	1.9	247

(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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31 December 2017

28. EMPLOYEE INCENTIVE PLANS *(continued)*

The aggregate fair value at date of grant of warrants and options granted in 2017 was CHF 939,328 (2016: CHF 801,942). 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 2017 was CHF 15.75 – CHF 22.50 (2016: CHF 15.75 – CHF 25.50).

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.

	2017 grant	2016 grant
Expected volatility	18.13%	18.2%
Dividend yield	4.7%	4.9%
Expected term	6 years	6 years
Risk-free interest rate	-0.28%	-0.7%

WARs

Presented below is a summary of WAR activity of the company's employees for the years ended 31 December 2017 and 2016:

	2017 Number of WARs	2016 Number of WARs
Outstanding at 1 January	810,440	725,440
Granted during the year	-	-
Exercised during the year	(240,000)	(35,000)
Forfeited during the year	-	-
Expired during the year	(55,000)	-
Employees transferred in	-	120,000
Employee transferred out	-	-
Outstanding at 31 December	515,440	810,440
Exercisable at 31 December	435,750	565,000

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 2017 was £583,500 (2016: £395,000). 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 £263,657 are included in administration costs in 2017 (2016: £122,049).

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

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	-			

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28. EMPLOYEE INCENTIVE PLANS (continued)

2016	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 2016	111,250	18.78	0.8	18
Transfers in	(51)	18.78		
Granted during the year (restated)	86,350	20.12		
Forfeited during the year	(8,690)	18.78		
Exercised during the year	(56,468)	18.78		
Not exercised (savings returned plus interest) during the year	(46,041)	18.78		
Outstanding at 31 December 2016	86,350	20.12	0.8	117
Vested and expected to vest at 31 December 2016	86,350	20.12		
Exercisable at 31 December 2016	-			

(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.

LONG TERM INCENTIVE PLAN (LTIP)

The Company has a long-term incentive plan (LTIP) for members of its Executive Committee and selected other senior executives (Eligible Participants), as defined in the terms of the LTIP. The LTIP involves annual conditional grants of the Company's stock to such Eligible Participants that are subject to certain conditions.

The 2017 LTIP launch is composed of two performance components: (i) a component which is based on the average percentage achievement of income from continuing operations, net of tax, versus budget and (ii) a component which is based on the Company's earnings per share performance. The 2016 and 2015 LTIP launches are each composed of two performance components: (i) a component which is based on the achievement of a net income threshold and (ii) a component which is based on the Company's earnings per share performance.

For the average percentage achievement of income versus budget component of the 2017 LTIP launch, the actual number of shares that will vest at a future date is dependent on the average percentage (of each year in a three year period starting with the year of grant) of the Company's income from continuing operations, net of tax, divided by the Company's budgeted income from continuing operations, net of tax. The actual number of shares that ultimately vest will vary depending on the average percentage that is achieved between a lower threshold (no shares vest) and an upper threshold (the number of shares vesting is capped at 150 percent of the conditional grant). For shares to vest under the threshold net income component of the 2016 and 2015 LTIP launches, the Company's net income has to reach a certain level set by the Board of Directors at the launch of the LTIP. The shares will not vest if this threshold is not achieved and will vest at 100 percent if this threshold is equalled or exceeded. In addition, the Eligible Participant has to fulfil the service condition as defined in the terms and conditions of the LTIP.

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28. EMPLOYEE INCENTIVE PLANS (CONTINUED)

LONG TERM INCENTIVE PLAN (LTIP) (continued)

For the earnings per share performance component of the 2017, 2016 and 2015 LTIP launches, the actual number of shares that will vest at a future date is dependent on (i) the Company's weighted cumulative earnings per share performance over three financial years, beginning with the year of launch, and (ii) the fulfilment of the service condition as defined in the terms and conditions of the LTIP. The cumulative earnings per share performance is weighted as follows: 33 percent of the first year's result, 67 percent of the second year's result and 100 percent of the third year's result. The actual number of shares that ultimately vest will vary depending on the weighted cumulative earnings per share outcome, interpolated between a lower threshold (no shares vest) and an upper threshold (the number of shares vesting is capped at 200 percent of the conditional grant).

Under each component of the 2017, 2016 and 2015 LTIP launches, an Eligible Participant receives 70 percent of the shares that have vested in the form of shares and 30 percent of the value of the shares that have vested in cash, with the possibility to elect to also receive the 30 percent portion in shares rather than in cash.

Presented below is a summary of activity under the LTIP:

	Equity & cash or choice of 100% Equity Settlement ⁽¹⁾	Number of shares Only Cash Settlement ⁽²⁾	Total
Non vested at 1 January 2017	60,553	6,841	67,394
Transfers in	-	-	-
Granted	-	-	-
Vested	-	-	-
Expired ⁽³⁾	-	-	-
Forfeited	(60,553)	(6,841)	(67,394)
Non vested at 31 December 2017	-	-	-

⁽¹⁾ Shares that, subject to vesting, the Eligible Participant can elect to receive 100 percent in the form of shares.

⁽²⁾ Shares that, subject to vesting, the Eligible Participant can only receive in cash.

⁽³⁾ Expired as the criteria for the Company's performance condition were not satisfied.

29. 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 (2016: £1,482).

30. 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.