

# **W J Furse & Co Limited**

## **Strategic report, Directors' report and Financial Statements**

**31 December 2018**

**Registered number 3118288**



## **Contents**

Company information	1
Strategic report	2
Directors' report	4
Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements	6
Independent auditor's report to the members of W J Furse & Co Limited	7
Profit and loss account	10
Statement of comprehensive income	11
Statement of changes in equity	12
Balance sheet	13
Notes	14

**Company information**

**Directors**

LM Andersson  
IG Funnell  
DW Nicholl

**Secretary**

Cargil Management Services Ltd  
VA Mac Lean

**Registered Office**

c/o Cargil Management Services Ltd  
27/28 East Castle Street  
London  
W1W 8DH

**Bankers**

KBC Bank NV

**Auditor**

KPMG LLP  
1 St Peters Square  
Manchester  
M1 2AE

## **Strategic report**

The directors present their strategic report for W J Furse & Co Limited, ('the Company') for the year ended 31 December 2018.

### **Business review and principal activities**

The Company's principal activity is acting as an agent for ABB BV, a fellow subsidiary based in Europe. ABB BV manufactures earthing and lightning protection systems, electronic surge protection equipment, and industrial fastenings to the commercial and industrial building industry. These products are sold throughout the Middle East and the United Kingdom. There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the next year.

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 Company's profit and loss account on page 10, the Company's turnover was £5,505,000 (2017: £5,894,000) and has decreased by £389,000 (7%) from the prior year. Profit before tax was £74,000 (2017: £244,000) and has decreased by £170,000 (70%). The decrease in turnover reflects the decrease in costs recharged of £423,000. The key factor for the decrease in profit before tax is the £212,000 pension plan service cost amendment.

The balance sheet on page 13 of the Financial Statements shows the Company's financial position at the year-end.

### **Principal risks and uncertainties**

As the Company's business is that of an agent for the manufacture of products which are sold by ABB BV, a fellow group subsidiary, the primary risks the Company faces are those which 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 Company 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 its products are sold. Turmoil in the financial markets during the last few years has adversely affected world economic activity. The current economic environment has had an adverse affect 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 the 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.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

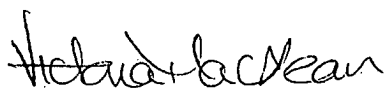
#### Impact of Brexit

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

#### Pension Scheme

The Company has a defined benefit pension plan, which is currently in surplus. The funding level of this pension plan is 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 plan is closed to new members and contributions are being made under the terms of a payment schedule agreed with the plan Trustee. Significant adverse changes in the actuarial assumptions underlying the plan valuation and the Company's contributions made into the plan could materially impact the Company's trading results.

On behalf of the board



Victoria A Mac Lean  
Company Secretary

30<sup>th</sup> September 2019

## **Directors' report**

The directors present their report for the year ended 31 December 2018.

### **Directors and directors' interests**

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

LM Andersson	
IG Funnell	
AD Marston	Resigned 19 July 2018
DW Nicholl	Appointed 20 July 2018

### **Research and development**

Research and development costs during the year amounted to £80,000 (2017: £98,000).

### **Dividends**

The Company paid no dividends during the year ended 31 December 2018 (2017: £nil).

### **Environment**

W J Furse & Co 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' 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**

W J Furse & Co 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.

**Director's report (continued)**

**Auditor**

During 2017, W J Furse & Co Limited announced that its Board decided to appoint KPMG as its external auditor effective for the financial year ended 31 December 2018.

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



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Victoria A Mac Lean  
Company Secretary

30<sup>th</sup> September 2019

## **Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the Financial Statements**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of W J Furse & Co Limited**

### **Opinion**

We have audited the financial statements of W J Furse & Co Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit 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.

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

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

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

### **Going concern**

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

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

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

## **Independent auditor's report to the members of W J Furse & Co Limited (continued)**

### **Strategic report and directors' report**

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

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

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

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### **Directors' responsibilities**

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

### **Auditor's responsibilities**

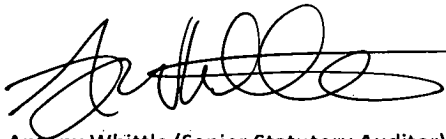
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**Independent auditor's report to the members of W J Furse & Co Limited (continued)**

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

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



Antony Whittle (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
1 St Peter's Square,  
Manchester  
M2 3AE

Date... 1 October 2019

**Profit and loss account**  
*for the year ended 31 December 2018*

	<i>Note</i>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Turnover	3	5,505	5,894
Cost of sales		<u>(3,860)</u>	<u>(3,926)</u>
Gross profit		1,645	1,968
Distribution and selling costs		(1,089)	(1,138)
Administrative expenses		<u>(583)</u>	<u>(669)</u>
Operating (loss)/profit		<u>(27)</u>	161
(Loss)/profit before interest, other finance income and taxation		(27)	161
Other interest receivable and similar income	4	22	4
Other finance income	5	<u>79</u>	<u>79</u>
Profit before taxation	6	74	244
Tax on profit	7	<u>(42)</u>	<u>(61)</u>
Profit for the financial year		<u>32</u>	<u>183</u>

The notes on pages 14 to 26 form part of these financial statements.

**Statement of Comprehensive Income**  
*for the year ended 31 December 2018*

	<i>Note</i>	2018 £000	2017 £000
Profit for the year		32	183
Other comprehensive income:			
Items that cannot be reclassified to profit or loss			
Remeasurement gains on defined benefit pension scheme	15	202	141
Related deferred tax credit	14	(34)	(24)
Other comprehensive income		168	117
Total comprehensive income for the year		200	300

The notes on pages 14 to 26 form part of these financial statements.

**Statement of Changes in Equity**  
*for the year ended 31 December 2018*

	Share Capital	Share Premium	Revaluation reserve	Capital redemption reserve	Capital contribution reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	1,692	1,120	62	1,600	81	7,113	11,668
Profit for the financial year	-	-	-	-	-	183	183
Other comprehensive loss	-	-	-	-	-	117	117
<b>Total comprehensive loss for the year</b>	<b>1,692</b>	<b>1,120</b>	<b>62</b>	<b>1,600</b>	<b>81</b>	<b>7,413</b>	<b>11,968</b>
Depreciation transfer for land and buildings	-	-	(3)	-	-	3	-
At 31 December 2017	1,692	1,120	59	1,600	81	7,416	11,968
Profit for the financial year	-	-	-	-	-	32	32
Other comprehensive income	-	-	-	-	-	168	168
<b>Total comprehensive income for the year</b>	<b>1,692</b>	<b>1,120</b>	<b>59</b>	<b>1,600</b>	<b>81</b>	<b>7,616</b>	<b>12,168</b>
Depreciation transfer for land and buildings	-	-	(2)	-	-	2	-
At 31 December 2018	1,692	1,120	57	1,600	81	7,618	12,168

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

The revaluation reserve represents the outstanding surplus on the revaluation of the Company's freehold land and buildings.

The capital redemption reserve represents an earlier buy back of shares by the Company.

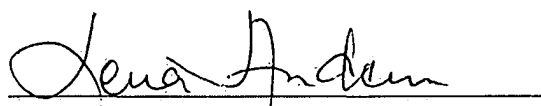
The capital contribution reserve relates to payments made by a previous parent undertaking to strengthen the capital position of the Company at that time.

**Balance Sheet**  
*as at 31 December 2018*

	Notes	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	10	-	-
Tangible assets	11	<u>2,185</u>	<u>2,266</u>
		2,185	2,266
<b>Debtors</b>	12	<u>7,293</u>	<u>7,036</u>
Cash at bank and in hand		<u>584</u>	<u>725</u>
		7,877	7,761
<b>Creditors: amounts falling due within one year</b>	13	<u>(634)</u>	<u>(715)</u>
<b>Net current assets</b>		<u>7,243</u>	<u>7,046</u>
<b>Total assets less current liabilities</b>		9,428	9,312
<b>Provision for liabilities</b>	14	<u>(626)</u>	<u>(641)</u>
<b>Net assets excluding pension scheme assets</b>		8,802	8,671
<b>Net pension scheme assets</b>	15	<u>3,366</u>	<u>3,297</u>
<b>Net assets</b>		<u>12,168</u>	<u>11,968</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,692	1,692
Share premium account		1,120	1,120
Revaluation reserve		57	59
Capital redemption reserve		1,600	1,600
Capital contribution reserve		81	81
Profit and loss account		<u>7,618</u>	<u>7,416</u>
<b>Shareholders' funds</b>		<u>12,168</u>	<u>11,968</u>

The notes on pages 14 to 26 form part of these financial statements.

These financial statements were approved by the board of directors and were signed on its behalf by:

  
 Lena Andersson  
 Director

Date 30<sup>th</sup> September 2019

## Notes

### 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 has used a true and fair override in respect of the non-amortisation of goodwill (*note 2.1*).

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 September 2019.

### 2 Accounting policies

#### 2.1 Basis of preparation

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

The Company has taken advantage of the following disclosure exemptions under 101, as the 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;
  - (iii) paragraph 118(e) of IAS 38 Intangible Assets; and
- (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 IFRS 7 Financial Instruments: Disclosures;
- (h) the requirements of paragraph 17 and 18a of IAS 24 Related Party Disclosures;
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- (j) the effect of new but not yet implemented 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 obtained confirmation, that if required, additional funding would be provided from the Company's immediate parent company, ABB Limited, to meet its liabilities as they fall due for a period of 12 months from the date of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

#### **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:

##### **Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

##### **Goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on the acquisition of the trade and assets of the business is capitalised, and reviewed annually for impairment. Following a review in 2016 the balance of goodwill has been fully impaired.

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains or losses arising on translation are included in the profit and loss account together with any gains or losses arising in the normal course of business.

## **Notes (continued)**

### **2 Accounting policies (continued)**

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

##### ***Pension scheme***

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return of a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges and finance items in the profit and loss account, and in the statement of Comprehensive income, actuarial gains and losses.

An asset is only recognised to the extent that it can to be recovered through reduced contributions in the future or through refunds from the scheme. The amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current scheme members less the present value of future employee contributions. The present value is determined using the discount rate applied to measure the defined benefit liability.

The Company also operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### **2.3 Significant Accounting Policies**

##### ***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	10 to 30 years
Plant and equipment	5 to 10 years
Fixtures and Fittings	3 to 10 years
Computer Equipment	3 years
Office Equipment	3 to 10 years

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

##### ***Leases***

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

**Notes (continued)**

**2 Accounting policies (continued)**

**2.3 Significant Accounting Policies (continued)**

**Turnover**

Turnover represents sales of services, commissions, and mark-up on expenses at invoiced value exclusive of value added tax and discounts.

**Revenue recognition**

On 1st January 2018, the Company adopted the new IFRS15 standard on revenue recognition and the adoption of IFRS 15 did not have an impact on the revenue recognised.

Under the agency agreement between the Company and ABB BV, commissions are earned when the sale of products is recognised. 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.

**Research and development**

Expenditure on research is written off in the year in which it is incurred. Development costs are written off over the period of a commercially recognisable project.

**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.

**3 Turnover**

The analysis of turnover by geographical area attributable to the Company's principal activity is as follows:

	2018 £000	2017 £000
Europe	<u>5,505</u>	<u>5,894</u>

**4 Other interest receivable and similar income**

	2018 £000	2017 £000
Bank interest	2	0
Other interest	<u>20</u>	<u>4</u>
	<u>22</u>	<u>4</u>

**Notes (continued)**

**5 Other finance income**

	2018 £000	2017 £000
Expected return on pension scheme assets (note 15)	524	602
Interest on pension scheme liabilities (note 15)	(445)	(523)
	<u>79</u>	<u>79</u>

**6 Profit before taxation**

Profit before taxation is stated after charging/(crediting) the following:

	2018 £000	2017 £000
Auditor's remuneration - audit of these financial statements	7	9
- pension schemes	-	6
Depreciation of tangible fixed assets	316	323
Operating lease rentals – land and buildings	5	5
Operating lease rentals – plant and machinery	13	8
Research and development expenditure	80	98
Exchange loss	3	6
Loss on disposal of fixed assets	<u>19</u>	<u>2</u>

**Notes (continued)**

**7 Tax on profit**

	2018 £000	2017 £000
<i>Current tax:</i>		
UK Corporation tax	105	55
Adjustment in respect of prior years	(14)	3
<b>Total current tax charge</b>	<b>91</b>	<b>58</b>
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 14)	(70)	3
Adjustment in respect of prior years	21	-
<b>Total deferred tax charge</b>	<b>(49)</b>	<b>3</b>
<b>Tax on profit</b>	<b>42</b>	<b>61</b>

**Factors affecting the tax charge for the current year**

The tax charge for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Tax reconciliation		
Profit before tax	74	244
Current tax at 19% (2017: 19.25%)	14	47
<i>Effect of:</i>		
Expenses not deductible for tax purposes	4	-
Depreciation in excess of capital allowances	16	11
Tax under provided in earlier years	8	3
<b>Total tax charge</b>	<b>42</b>	<b>61</b>

**Factors that may affect future tax charges**

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits are taxed at an effective rate of 19% for the year (2017: 19.25%).

Further to the budget announcement on 16 March 2016, the corporation tax rate will now be reduced to 17% from 1 April 2020 and this was given Royal Assent on 17 July 2017. Accordingly, the deferred tax liability at 31 December 2018 has been calculated at 17% (2017: 17%).

**Notes (continued)**

**8 Directors' remuneration**

The Directors are employed and remunerated by other group companies. No recharge is made for their services, but an allocation of their time spent results in a charge of £42,000 (2017: £42,000) borne by other group entities.

**9 Staff numbers and costs**

On 1 May 2015, all persons previously employed by WJ Furse & Co Limited were transferred to its immediate parent company ABB Limited and the employee costs are recharged to the Company :

	2018 Number	2017 Number
The aggregate payroll costs of these persons were as follows:		
	2018 £000	2017 £000
Wages and salaries	2,669	2,696
Social security costs	236	255
Other pension costs:	285	180
	<u>3,190</u>	<u>3,131</u>

The average number of employees whose costs were recharged to the Company in 2018 was 98 (2017: 104)

**10 Intangible fixed assets**

<b>Goodwill</b>	<b>£000</b>
Cost:	
At 1 January 2018 and 31 December 2018	<u>15,131</u>
Accumulated amortisation and impairments:	
At 1 January 2018 and 31 December 2018	<u>15,131</u>
Net book value:	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</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 is £nil and 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.

## Notes (continued)

### 11 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, computer and office equipment	Total
	£000	£000	£000	£000
<b>Cost:</b>				
At 1 January 2018	1,825	3,252	659	5,736
Additions	15	186	54	255
Disposals	-	(35)	(105)	(140)
At 31 December 2018	1,840	3,403	608	5,851
<b>Accumulated depreciation:</b>				
At 1 January 2018	733	2,210	527	3,470
Charged in the year	55	192	69	316
Disposals	-	(16)	(104)	(120)
At 31 December 2018	788	2,386	492	3,666
<b>Net book value:</b>				
At 31 December 2018	1,052	1,017	116	2,185
At 31 December 2017	1,092	1,042	132	2,266

The gross book value of freehold land and buildings includes £512,000 (2017: £512,000) of non-depreciable land.

#### Assets under construction

At 31 December 2018 the above figures include £4,000 (2017: *£nil*) for freehold land and buildings, £18,000 (2017: £6,000) for plant and machinery, and £8,000 (2017: *£nil*) for fixtures, fittings, computer and office equipment that were in the course of construction.

### 12 Debtors

	2018 £000	2017 £000
Amounts owed by group undertakings	6,930	6,542
Other debtors	262	301
Prepayments and accrued income	101	193
	<u>7,293</u>	<u>7,036</u>

**Notes (continued)**

**13 Creditors: amounts falling due within one year**

	2018 £000	2017 £000
Trade creditors	157	114
Amounts owed to group undertakings	84	208
Accruals and deferred income	178	243
Corporation tax	215	150
	<u>634</u>	<u>715</u>

**14 Provision for liabilities - deferred tax**

	2018 £000	2017 £000
Liability at 1 January	(641)	(614)
Profit and loss account credit / (charge) for the year	49	(3)
Statement of comprehensive income	<u>(34)</u>	<u>(24)</u>
Liability at 31 December	<u>(626)</u>	<u>(641)</u>
	2018 £000	2017 £000
Total effect of timing differences:		
Excess depreciation over capital allowances	(54)	(80)
Short term timing differences	<u>(572)</u>	<u>(561)</u>
Deferred tax asset/(liability)	<u>(626)</u>	<u>(641)</u>



**Notes (continued)**

**15 Pension scheme**

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 (2017: £Nil). At 31 December 2018 there were no outstanding contributions (2017: £nil).

The Company also operates a defined benefit pension scheme, the W J Furse Pension Plan. The scheme funds are administered by trustees and are independent of the Company's finances.

The most recent actuarial valuation was carried out on 31 December 2016. The results of that valuation show the Plan's assets at £24,000,000 representing 99% of the value of the benefits that had accrued to in-service and deferred pensioner members.

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

The actuarial valuation used for IAS 19 has been based on the actuarial valuation at 31 December 2016 updated to 31 December 2018 by an independent qualified actuary. The next full valuation will be carried out on 31 December 2019. 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 plans for which the Company is the sponsoring employer throughout the periods shown.

	2018 £000	2017 £000
Present value of funded defined benefit obligations	(17,883)	(19,093)
Fair value of plan assets	21,249	22,390
Net pension balance	<u>3,366</u>	<u>3,297</u>

**Movements in present value of defined benefit obligation**

	2018 £000	2017 £000
At 1 January	(19,093)	(20,874)
Interest cost	(445)	(523)
Actuarial gain	(35)	567
Benefits paid	740	2,592
Changes in assumptions underlying the present value of scheme liabilities	1,354	(400)
Changes in demographic assumptions	(192)	(455)
Past service cost – plan amendments	(212)	-
At 31 December	<u>(17,883)</u>	<u>(19,093)</u>

**Movements in fair value of plan assets**

	2018 £000	2017 £000
At 1 January	22,390	23,951
Expected return on plan assets	524	602
Actuarial gain	(925)	429
Benefits paid	(740)	(2,592)
At 31 December	<u>21,249</u>	<u>22,390</u>

**Notes (continued)**

**15 Pension scheme (continued)**

Expense recognised in the profit and loss account

	2018 £000	2017 £000
Interest on defined benefit pension plan obligation (note 5)	(445)	(523)
Expected return on defined benefit pension plan assets (note 5)	524	602
Total	<u>79</u>	<u>79</u>

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is (£202,000) (2017: (£141,000)).

Cumulative actuarial losses reported in the statement of comprehensive income for accounting periods ending on or after 22 June 2002 are £9,122,000 (2017: £9,324,000).

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

	2018 £000	2017 £000
Equities	937	1,113
Bonds	20,297	21,219
Others	15	58
Total	<u>21,249</u>	<u>22,390</u>
Actual return on plan assets	<u>(1.8%)</u>	<u>4.3%</u>

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

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

	2018 %	2017 %
Discount rate	2.8	2.4
Rate of increase of pensions in payment (Pre 6 April 2006)	3.1	3.1
Rate of increase of pensions in payment (Post 5 April 2006)	2.0	2.0
Rate of increase of pensions in deferment	3.4	3.4
Inflation assumption	3.4	3.4

In valuing the liabilities of the pension fund at 31 December 2018 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: 23.3 (2017: 23.2) years (male), 24.7 (2017: 24.6) years (female).

Future retiree aged 50 upon reaching 65: 24.6 (2017: 24.5) years (male), 26.1 (2017: 26.0) years (female).

## Notes (continued)

### 15 Pension scheme (continued)

During the financial year the Company has changed the model used for deriving the discount rate assumption for valuing the pension obligations under FRS 101 to use an approach that is consistent with that adopted for Group reporting purposes under US GAAP. Compared to the previous approach, under the updated methodology a greater proportion of bonds with low yields are excluded as outliers from the corporate bond data used to derive the discount rate. The impact of this change is to reduce the Defined Benefit Obligation and Net Defined Benefit Liability by £475,000 at 31 December 2018.

#### Sensitivity Analysis

The present value of the defined benefit obligation is £17,883,000 (2017: £19,093,000).

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

	Assumptions used	Sensitivity analysis	Effect on Defined Benefit Obligation £000
Discount rate	2.8%	0.25% increase	(785)
Inflation (RPI measure)	3.4%	0.25% increase	509
Longevity	88%/93% of SAPS 'S2' tables for males/females, with improvements in line with CMI2016 core projections model	Increase of 1 year in expected lifetime of plan members	674

#### Methods and Assumptions used in Sensitivity Analysis

The sensitivity analysis is based on indicative calculations using a methodology consistent with that used in 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 the 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 plans

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

##### Experience adjustments

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
<b>Difference between the expected and actual return on scheme assets:</b>					
Amount	(925)	429	4,232	(767)	2,218
Percentage of scheme assets	(4.4%)	1.9%	17.7%	(3.9%)	10.9%
<b>Experience gains and losses on scheme liabilities:</b>					
Amount	(35)	567	251	165	(323)
Percentage of scheme liabilities	(0.2%)	3.0%	1.2%	1.0%	(2.0%)
<b>Total amount recognised in statement of Comprehensive income:</b>					
Amount	202	141	(884)	(285)	(391)
Percentage of the present value of scheme liabilities	1.1%	0.7%	(4.2%)	(1.8%)	(2.4%)

**Notes (continued)**

**15 Pension scheme (continued)**

The Company made no contributions during 2018. As all active members opted out from active service from 1 January 2012, there is no requirement for contributions in respect of future service after that date.

**16 Called up share capital**

	2018 £000	2017 £000
<i>Allotted, issued, called up and fully paid:</i>		
169,172,600 Called up ordinary shares of 1p each	<u>1,692</u>	<u>1,692</u>

**17 Capital and financial commitments**

The Company has capital commitments at 31 December 2018 of £79,000 (2017: £186,000).

Total commitments under non-cancellable operating leases are as follows:

	2018 Land and buildings £000	2017 Land and buildings £000
Within one year	5	5
In the second to fifth years inclusive	20	20
Over five years	<u>211</u>	<u>216</u>
	<u>236</u>	<u>241</u>

**18 Ultimate parent and controlling company**

The parent undertaking is ABB Installation Products Limited (formerly Thomas & Betts Limited). The ultimate parent undertaking and the controlling party of the group into which the financial statements of the 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.