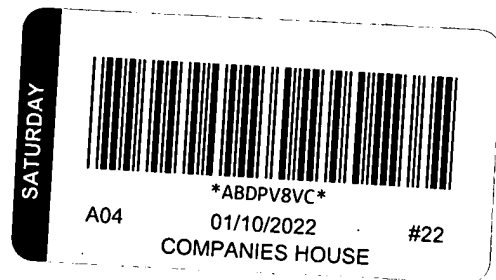


W J Furse & Co Limited

Directors' report and Financial Statements

31 December 2021

Registered number 3118288



Contents

Company information	1
Strategic Report	2
Directors' report	5
Statement of Directors' responsibilities in respect of the Directors' report and the Financial Statements	7
Independent auditor's report to the members of W J Furse & Co Limited	8
Profit and loss account	12
Statement of comprehensive income	13
Statement of changes in equity	14
Balance sheet	15
Notes	16

Company information

Directors

DW Nicholl (Resigned 10 August 2021)
DJ Hughes
ME Moussa
DK Lowen (Appointed 11 August 2021)

Secretary

VA Mac Lean

Registered Office

ABB Limited
Daresbury Park
Daresbury
Cheshire
WA4 4BT

Banker

Deutsche Bank
1 Great Winchester Street
London
EC2N 2DB

Auditor

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

Strategic Report

The Directors present their Strategic Report for W J Furse & Co Limited ('the Company') for the year ended 31 December 2021.

Business review and principal activities

The Company's principal activity is acting as a toll manufacturer 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. At the date of this report, it is currently intended to transfer the trade and assets of the Company to its parent undertaking ABB Installation Products Limited in 2023.

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

As shown in the profit and loss account on page 12, the Company's profit before tax was £209,000 (2020: £190,000) and has increased by £19,000 (10%).

The Company's turnover has increased by £299,000, being a 5% increase compared with the previous year. The main reason for the increase in turnover is an increase in costs recharged of £278,000, being also a 5% increase over the previous year. Under the toll manufacturer agreements, the Company recharges its costs incurred to ABB BV subject to rules laid down in that agreement.

The balance sheet on page 15 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 a toll manufacturer for the manufacture of products which are sold by ABB BV, a fellow group subsidiary, the primary risks the Company faces are those which 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

Strategic Report *(continued)*

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

Impact of Brexit

The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an implementation period which ended on 31 December 2020. The terms of the future relationship with the European Union have had a minimal impact on the ABB Group in the UK and its trade, customers, suppliers and the wider economy as the company imports a minimal amount of goods from countries in Europe, and does not export goods. In order to manage the uncertainties associated with Brexit an extensive working group had been set up to focus on this topic. The Directors continue to monitor the situation closely and will take action when the impact on the Company and the wider UK economy becomes clearer.

COVID 19

In March 2020 the World Health Organisation (WHO) announced the COVID-19 outbreak a global pandemic. ABB has been constantly monitoring this situation and in line with governmental measures taken to contain the spread of the virus, we have made appropriate work arrangements and implemented precautionary travel restrictions. This includes all employees avoiding any non-business critical travel. We are also following applicable national health services regulations and WHO guidance.

The health and safety of our employees, customers and partners remains our number one priority and we are working hard to assess and mitigate any risks.

We have taken various internal preventive and protective measures in accordance with ABB's crisis management and business contingency plans.

The spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the Company operates and the global economy more widely. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in the markets.

The Company's balance sheet exposure has been reviewed and the Company continues to maintain positive net asset value. Since the onset of the pandemic the Company has remained operational, with key activities such as manufacturing and distribution of ABB BV's products being maintained. The Company has also implemented strict cost management measures. Notwithstanding the Company's strong balance sheet position, deterioration in the situation could have further adverse implications arising from the impacts on the global economy.

Strategic Report *(continued)*

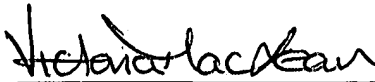
Pension Scheme

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.

Credit and foreign exchange risk

All of the Company's sales are made on a credit basis and past history has shown that control systems have kept any risk to a minimum. The Company has minimal exposure to foreign exchange risk.

On behalf of the board



Victoria A Mac Lean
Company Secretary
Daresbury Park
Daresbury
Cheshire
WA4 4BT

Date: 30 September 2022

Directors' report

The directors present their report for W J Furse & Co Limited (the 'Company') for the year ended 31 December 2021.

Directors and directors' interests

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

DW Nicholl (Resigned 10 August 2021)
DJ Hughes
ME Moussa
DK Lowen (Appointed 11 August 2021)

Going concern

The financial statements have not been prepared on a going concern basis as it is intended to transfer the trade and assets of the company to its parent undertaking ABB Installation Products Limited in the foreseeable future.

Research and development

Research and development costs during the year amounted to £302,000 (2020: £238,000).

Dividends

The Company paid no dividends during the year ended 31 December 2021 (2020: *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.

Director's report *(continued)*

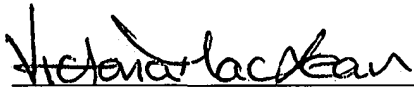
Disclosure of information to auditor

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.

Auditor

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

On behalf of the board



Victoria A Mac Lean
Company Secretary
Daresbury Park
Daresbury
Cheshire
WA4 4BT

Date: 30 September 2022

Statement of Directors' responsibilities in respect of the Strategic Report, 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. As explained in note 2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 ("the Company") for the year ended 31 December 2021 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Statement of Changes in Equity, the Balance Sheet and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

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

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

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

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

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

We did not identify any additional fraud risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

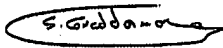
Auditor's responsibilities

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

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

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

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



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

Date 30 September 2022

Profit and loss account

for the year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover	3	6,167	5,868
Cost of sales		<u>(3,679)</u>	<u>(3,528)</u>
Gross profit		2,488	2,340
Distribution and selling costs		(1,557)	(1,458)
Administrative expenses		<u>(780)</u>	<u>(752)</u>
Operating profit		<u>151</u>	<u>130</u>
Profit before interest, other finance income and taxation		151	130
Other interest receivable and similar income	<i>4</i>	1	10
Other finance income	<i>5</i>	57	53
Other interest payable	<i>6</i>	<u>-</u>	<u>(3)</u>
Profit before taxation	7	209	190
Tax on profit	<i>8</i>	<u>(317)</u>	<u>(40)</u>
(Loss)/Profit for the financial year		<u>(108)</u>	<u>150</u>

The notes on pages 16 to 30 form part of these financial statements.

Statement of Comprehensive Income
for the year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
(Loss)/Profit for the year		(108)	150
Other comprehensive income:			
Items that cannot be reclassified to profit or loss			
Remeasurement gains on defined benefit pension scheme	<i>16</i>	337	1,554
Related deferred tax (charge)	<i>15</i>	(84)	(295)
Other comprehensive income		253	1,259
Total comprehensive income for the year		145	1,409

The notes on pages 16 to 30 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2021

	Share Capital <i>£'000</i>	Share Premium <i>£'000</i>	Revaluatio n reserve <i>£'000</i>	Capital redemptio n reserve <i>£'000</i>	Capital contributio n reserve <i>£'000</i>	Profit and loss account <i>£'000</i>	Total <i>£'000</i>
At 1 January 2020	1,692	1,120	55	1,600	81	7,248	11,796
Profit for the financial year	-	-	-	-	-	150	150
Other comprehensive loss	-	-	-	-	-	1,259	1,259
Total comprehensive income for the year	-	-	-	-	-	1,409	1,409
Depreciation transfer for land and buildings	-	-	(2)	-	-	2	-
At 31 December 2020	1,692	1,120	53	1,600	81	8,659	13,205
(Loss) for the financial year	-	-	-	-	-	(108)	(108)
Other comprehensive income	-	-	-	-	-	253	253
Total comprehensive income for the year	-	-	-	-	-	145	145
Depreciation transfer for land and buildings	-	-	(3)	-	-	3	-
At 31 December 2021	1,692	1,120	50	1,600	81	8,807	13,350

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

The revaluation reserve represents the outstanding surplus on the open market valuation at 31 March 1997 on of the Company's freehold land and buildings at Traffic Street and Wilford Road, Nottingham.

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.

The notes on pages 16 to 30 form part of these financial statements.

Balance Sheet

as at 31 December 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible assets	11	-	
		<hr/>	<hr/>
		-	
Tangible assets	12	1,630	1,858
Debtors	13	9,453	9,363
Cash at bank and in hand		-	403
		<hr/>	<hr/>
		11,083	11,624
Creditors: amounts falling due within one year	14	(1,148)	(1,755)
		<hr/>	<hr/>
Net current assets		9,935	9,869
		<hr/>	<hr/>
Total assets less current liabilities		9,935	9,869
Provision for liabilities	15	(1,203)	(888)
		<hr/>	<hr/>
Net assets excluding pension scheme assets		8,732	8,981
Net pension scheme assets	16	4,618	4,224
		<hr/>	<hr/>
Net assets		13,350	13,205
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	1,692	1,692
Share premium account		1,120	1,120
Revaluation reserve		50	53
Capital redemption reserve		1,600	1,600
Capital contribution reserve		81	81
Profit and loss account		8,807	8,659
		<hr/>	<hr/>
Shareholders' funds		13,350	13,205
		<hr/>	<hr/>

The notes on pages 16 to 30 form part of these financial statements.

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



Malgorzata Moussa

Director

Company registered number : 3118288

Date: 30 September 2022

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 29 September 2022.

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 2021.

The Company has taken advantage of the following disclosure exemptions under 101, as the Company is a wholly owned subsidiary of ABB Limited and its results are consolidated in ABB Limited, the ultimate parent company.

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 Presentation of Financial Statements;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (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 not been prepared on a going concern basis as it is intended to transfer the trade and assets of the company to its parent undertaking ABB Installation Products Limited in the foreseeable future.

The directors expect that the benefits of liquidating the assets will be realised within 12 months and consequently all assets and liabilities have been recognised as current assets and current liabilities.

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:

Pension scheme

The Trust Deed provides W J Furse and Co with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in the scheme is recognised in full.

Notes *(continued)*

2 Accounting policies *(continued)*

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.

Pension scheme

The Company operates a defined benefit scheme and is recharged defined contribution pension scheme costs by ABB Limited in relation to staff recharged. The surplus or deficit recognised in respect of the defined benefit scheme represents the difference between the present value of the defined benefit obligations and the fair value of the scheme assets. The assets of the scheme are held in separate trustee administered funds. The scheme is closed to future accrual.

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

Company management consider it appropriate to recognise the IAS 19 surplus in the W J Furse Pension Plan as the rules governing the scheme provide an unconditional right to a refund assuming the gradual settlement of the scheme's liabilities over time until there are no members left, as per IFRIC 14.11 (b). On a winding up scenario, any surplus would be returned to the Company.

Notes *(continued)*

2 Accounting policies *(continued)*

The Company is recharged contributions to the defined contribution scheme by ABB Limited in relation to staff recharged, and these are charged to the income statement in the period to which the contributions relate.

The discount rate used for the calculation of the Defined benefit obligation are set equal to those used for group accounting under FRS 101 and US GAAP. The discount rates are materially consistent under FRS 101 and US GAAP.

Turnover

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

Revenue recognition

Under the 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, and recorded as revenue.

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.

Notes *(continued)*

3 Turnover

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

	2021 £000	2020 £000
Europe	<u>6,167</u>	<u>5,868</u>

4 Other interest receivable and similar income

	2021 £000	2020 £000
Other interest	<u>1</u>	<u>10</u>
	<u>1</u>	<u>10</u>

5 Other finance income

	2021 £000	2020 £000
Expected return on pension scheme assets <i>(note 16)</i>	349	451
Interest on pension scheme liabilities <i>(note 16)</i>	<u>(292)</u>	<u>(398)</u>
	<u>57</u>	<u>53</u>

6 Other interest payable

	2021 £000	2020 £000
Other interest	<u>-</u>	<u>3</u>
	<u>-</u>	<u>3</u>

Notes (continued)

7 Profit before taxation

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

	2021 £000	2020 £000
Auditor's remuneration - audit of these financial statements	12	10
Depreciation of tangible fixed assets	324	321
Rental charges – plant and machinery	4	9
Research and development expenditure	302	238
Exchange loss/ (gain)	4	(4)
(Profit)/ Loss on disposal of fixed assets	(2)	1

8 Tax on profit

	2021 £000	2020 £000
<i>Current tax:</i>		
UK Corporation tax	51	28
Adjustment in respect of prior years	35	(10)
Total current tax charge	86	18
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 15)	(1)	21
Impact of increase in rate of taxation	269	-
Adjustment in respect of prior years	(37)	1
Total deferred tax charge	231	22
Tax on profit	317	40

Factors affecting the tax charge for the current year

The tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19.00%). The differences are explained below:

	2021 £000	2020 £000
Tax reconciliation		
Profit before tax	209	190
Current tax at 19% (2020: 19.00%)	40	36
<i>Effect of:</i>		
Expenses not deductible for tax purposes	3	(4)
Depreciation in excess of capital allowances	7	16
Deferred tax – effect of increased rate	269	-
Tax (over)/ under provided in earlier years	(2)	(8)
Total tax charge	317	40

Notes (continued)

8 Profit before taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

The UK deferred tax liability as at 31 December 2021 was calculated at 25% (2020: 19%).

9 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 £26,409 (2020: £34,000) borne by other group entities.

10 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.

The average number of employees whose costs were recharged to the Company in 2021 was 99 (2020: 95)

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	2,950	2,755
Social security costs	279	250
Other pension costs:	342	332
	<u>3,571</u>	<u>3,337</u>

Notes (continued)

11 Intangible fixed assets

Goodwill	£000
<i>Cost:</i>	
At 1 January 2021 and 31 December 2021	<u>15,131</u>
<i>Accumulated amortisation and impairments:</i>	
At 1 January 2021 and 31 December 2021	<u>15,131</u>
<i>Net book value:</i>	
At 31 December 2021	<u>-</u>
At 31 December 2020	<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.

12 Tangible assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, computer and office equipment	Total
	£000	£000	£000	£000
<i>Cost:</i>				
At 1 January 2021	1,847	3,368	679	5,894
Additions	22	36	38	96
Disposals	-	(229)	(23)	(252)
At 31 December 2021	<u>1,869</u>	<u>3,175</u>	<u>694</u>	<u>5,738</u>
<i>Accumulated depreciation:</i>				
At 1 January 2021	900	2,614	522	4,036
Charged in the year	55	207	62	324
Disposals	-	(229)	(23)	(252)
At 31 December 2021	<u>955</u>	<u>2,592</u>	<u>561</u>	<u>4,108</u>
<i>Net book value:</i>				
At 31 December 2021	<u>914</u>	<u>583</u>	<u>133</u>	<u>1,630</u>
At 31 December 2020	<u>947</u>	<u>754</u>	<u>157</u>	<u>1,856</u>

The gross book value of freehold land and buildings includes £ 512,000 (2020: £512,000) of non-depreciable land.

Notes (continued)

Assets under construction

At 31 December 2021 the above figures include £nil (2020: £nil) for freehold land and buildings, £nil (2020: £4,000) for plant and machinery, and £9,000 (2020: £nil) for fixtures, fittings, computer and office equipment that were in the course of construction.

13 Debtors

	2021 £000	2020 £000
Amounts owed by group undertakings	9,153	8,949
Other debtors	268	390
Prepayments and accrued income	32	24
	<u>9,453</u>	<u>9,363</u>

14 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	116	117
Amounts owed to group undertakings	510	1,236
Accruals and deferred income	262	267
Corporation tax	260	135
	<u>1,148</u>	<u>1,755</u>

15 Provision for liabilities - deferred tax

	2021 £000	2020 £000
Liability at 1 January	(888)	(571)
Profit and loss account (charge) for the year	(231)	(22)
Statement of comprehensive income	<u>(84)</u>	<u>(295)</u>
Liability at 31 December	<u>(1,203)</u>	<u>(888)</u>
	2021 £000	2020 £000
Total effect of timing differences:		
Excess depreciation over capital allowances	(48)	(86)
Short term timing differences	<u>(1,155)</u>	<u>(802)</u>
Deferred tax (liability)	<u>(1,203)</u>	<u>(888)</u>

Notes *(continued)*

16 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 (2020: £Nil). At 31 December 2021 there were no outstanding contributions (2020: £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.

Having taken legal advice with regards to the rights of the Company under the relevant Trust deed and rules of the WJ Furse Pension Plan, it has been determined that the surplus is recoverable by the Company and therefore can be recognised.

The most recent actuarial valuation was carried out on 31 December 2019. The results of that valuation show the Plan's assets at £23,300,000 representing 100% of the value of the benefits that had accrued to in-service and deferred pensioner members.

A new schedule of contributions dated 25 February 2021 was agreed between the Trustees and the Company which noted a change in the sponsoring employer from W J Furse & Co Limited to ABB Installation Products Limited is expected to take place in 2022. As part of the change, ABB Asea Brown Boveri Ltd, Zurich, a parent company of ABB Installation Products Limited, has agreed to provide a guarantee to the Plan which, in the event that ABB Installation Products Limited becomes insolvent, would meet the full cost of securing members' benefits with an insurance company, up to a limit of £10 million. The introduction of the parental guarantee is expected to be effective no later than 31 December 2022.

In the event that the provision of the parental guarantee has not been made by 31 December 2022, then a contribution of £900,000 will become payable to the Plan by the Company by 31 December 2022.

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 2019 updated to 31 December 2020 by an independent qualified actuary. The next full valuation is due as at 31 December 2022. As required by IAS 19, the defined benefit liabilities have been measured using the projected unit method.

Notes *(continued)*

16 Pension scheme *(continued)*

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.

	2021 £000	2020 £000
Present value of funded defined benefit obligations	(21,180)	(21,804)
Fair value of plan assets	25,798	26,028
Net pension balance	4,618	4,224

Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At 1 January	(21,804)	(20,552)
Interest cost	(292)	(398)
Experience gains on scheme liabilities	(340)	140
Benefits paid	349	423
Actuarial losses arising from changes in financial assumptions	907	(2,029)
Actuarial gain due to changes in demographic assumptions		712
Past service cost – GMP	-	(100)
At 31 December	(21,180)	(21,804)

Movements in fair value of plan assets

	2021 £000	2020 £000
At 1 January	26,028	23,269
Expected return on plan assets	349	451
Actuarial gain	(230)	2,731
Benefits paid	(349)	(423)
At 31 December	25,798	26,028

Notes *(continued)*

16 Pension scheme *(continued)*

Expense recognised in the profit and loss account

	2021 £000	2020 £000
Past service cost – GMP	-	(100)
Interest on defined benefit pension plan obligation <i>(note 5)</i>	(292)	(398)
Expected return on defined benefit pension plan assets <i>(note 5)</i>	349	451
Total	<u>57</u>	<u>(47)</u>

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is a gain of £337,000 *(2020: £1,554,000)*.

Cumulative actuarial losses reported in the statement of comprehensive income for accounting periods ending on or after 22 June 2002 are £7,974,000 *(2020: £8,311,000)*.

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

	2021 £000	2020 £000
Equities	-	1,494
Bonds	25,781	24,498
Others	17	36
Total	<u>25,798</u>	<u>26,028</u>
Actual return on plan assets	<u>0.5%</u>	<u>13.7%</u>

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

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

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

	2021 %	2020 %
Discount rate	1.9	1.35
Rate of increase of pensions in payment (Pre 6 April 2006)	3.25	2.9
Rate of increase of pensions in payment (Post 5 April 2006)	2.1	1.95
Rate of increase of pensions in deferment	3.5	3.0
Inflation assumption	3.5	3.0

Notes (continued)

16 Pension scheme (continued)

In valuing the liabilities of the pension fund at 31 December 2021 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: 22.6 (2020: 22.6) years (male), 24.1 (2020: 24.1) years (female).

Future retiree aged 50 upon reaching 65: 23.5 (2020: 23.5) years (male), 25.2 (2020: 25.2) years (female).

The UK Statistics Authority and Government responded to a consultation on potential reforms to RPI in November 2020, confirming that from February 2030 increases in RPI will be aligned with CPIH (which is broadly similar to CPI except with an allowance for housing costs). Following advice from the Company's actuaries, there was a reassessment of the assumed future difference between RPI and CPI measures of price inflation. This was adjusted from a difference of 0.75% p.a. as at the 2019 year-end to a gap of 0.45% at the previous year-end.

This resulted in an estimated actuarial loss of £100,000 being recognised within the actuarial gains and losses within the other comprehensive income in the previous year.

The average weighted maturity profile of the scheme is 18 years.

Sensitivity Analysis

The present value of the defined benefit obligation is £ 21,180,000 (2020: £21,804,000).

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

	Assumptions used	Sensitivity analysis	Effect on Defined Benefit Obligation £000
Discount rate	1.9%	0.25% increase	(906)
Inflation (RPI measure)	3.5%	0.25% increase	570
Longevity	93%/103% of SAPS 'S3' tables for males/females, with improvements in line with CMI2019 core projections model	Increase of 1 year in expected lifetime of plan members	1,059

No adjustments have been made to account for the impact of Covid-19 as the actual Plan experience is not yet available and as it is too soon to make a judgement of the pandemic on future mortality improvements.

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.

Notes (continued)

16 Pension scheme (continued)

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

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Difference between the expected and actual return on scheme assets:					
Amount	(230)	2,731	1,716	(925)	429
Percentage of scheme assets	(0.9%)	10.5%	7.4%	(4.4%)	1.9%
Experience gains and losses on scheme liabilities:					
Amount	(340)	140	152	(35)	567
Percentage of scheme liabilities	(1.6%)	0.6%	0.7%	(0.2%)	3.0%
Total amount recognised in statement of Comprehensive income:					
Amount	337	1,554	(744)	202	141
Percentage of the present value of scheme liabilities	1.6%	7.1%	(3.6%)	1.1%	0.7%

The Company made no contributions during 2021 (2020: £nil). 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.

17 Called up share capital

	2021 £000	2020 £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>

18 Capital and financial commitments

The Company has capital commitments at 31 December 2021 of £68,000 (2020: £52,000).

Notes *(continued)*

19 Ultimate parent and controlling company

The parent undertaking is ABB Installation Products 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.