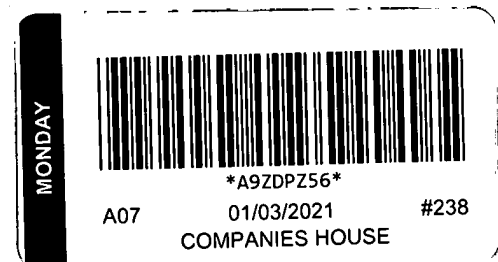


ABB Power Grids UK Limited
(formerly ABB Enterprise Software UK Limited).

Annual Report and Financial Statements
31 December 2019

Registered Number: 02985756



Company Information

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Company Information

Registered No. 02985756

DIRECTORS

IG Funnell

AJ Myatt Appointed 20 December 2019

AP Bennett Appointed 20 December 2019, resigned 20 May 2020

LM Andersson Resigned 19 December 2019

OD Brunk Resigned 19 December 2019

SECRETARY

V Mac Lean Resigned 24th July 2020

C Roberts

AUDITOR

KPMG LLP

1 St Peter's Square

Manchester

M2 3AE

BANKERS

Deutsche Bank AG, London Branch

Corporate & Investment Bank

Winchester House

1 Great Winchester Street

London

EC2N 2DB

REGISTERED OFFICE

Oulton Road

Stone

Staffordshire

ST15 0RS

STRATEGIC REPORT

The Directors present their Strategic Report for ABB Power Grids UK Limited ('the Company') for the year ended 31 December 2019. On 3 June 2019, the Company changed its name from ABB Enterprise Software UK Limited to ABB Power Grids UK Limited.

RESULTS AND DIVIDENDS

The results for the year are set out on page 12. The loss for the financial year after taxation amounted to £8,281,000 (2018: £537,000 loss).

The Company did not pay a dividend in respect of 2019 (2018: £nil).

PRINCIPAL ACTIVITIES, REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The principal activity of the Company during this period was the development, marketing and servicing of Enterprise Software solutions covering asset care and maintenance. The Company has developed its capability and service offerings so that it can contract directly with third parties.

On 1st October 2019 the Company's then parent company, ABB Limited, transferred the trade, assets and liabilities of its Power Grids business to the Company. The Company issued 18,069,000 shares of £1 to ABB Limited as consideration for this transfer.

The Parent Company, ABB, had entered into an Agreement with Hitachi, to form a joint venture (19.9% owned by ABB, 80.1% owned by Hitachi) which was finalised on the 30th June 2020.

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

	2019 £'000	2018 £'000	Change %
Turnover from continuing operations	63,752	13,500	372%
Operating loss from continuing operations	(6,592)	(554)	1,089%
Shareholder's funds / (deficit)	7,903	(1,885)	519%

Turnover increased by 372% to £63,752,000 in 2019 compared to 2018 (£13,500,000). This increase is largely driven by the acquisition of the Power Grids business, alongside the injection of the new renewables energy capacity, as well as investment into the automations business to enhance the stability of the overall Power Grids business.

The increase in operating loss to £6,592,000 in 2019, compared to a loss of £554,000 in 2018 is due to the acquisition of the Power Grids business, alongside the establishment of a new go-to market approach and the creation of a front end sales organization to exploit the expected market opportunities in the grids and renewables business segments. The Directors expect to see the benefits of this investment in the future years.

The Directors plan to maintain the current management policies of the Company and forecast growth in sales reflecting the impact of the transfer of the trade and assets of the ABB Limited Power Grids business.

STRATEGIC REPORT *(continued)*

RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company in the UK are in the areas of market competition, operational delivery, safety and finance and include potential impacts of COVID19.

Competitive pressures in the UK market is a continuing risk for the Company which could result in lost sales to key competitors. The Company manages this risk by providing value to its customers and by maintaining strong relationships with them. Risk reviews are operated by management at the Company and within the Group to address all commercial and operational delivery and financial aspects of both prospects in pursuit and projects in execution. The Directors also specifically monitor and review all aspects of health and safety on a monthly basis. Training of all staff is undertaken to reduce the risk of failure to comply with best practice or legislative standards which could have a material impact on the Company's licence to operate.

Financial risks are addressed as part of a stringent process of budgeting and forecasting. A rolling forecast of cash flows is maintained and regularly monitored.

IMPACT OF COVID 19

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

The Company has taken various internal preventive and protective measures in accordance with ABB's crisis management and business contingency plans. 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. Many teams have been set up to manage the situation by site, business and function. Weekly update communication has been sent to all staff and all hands webinars held on a monthly basis. Customer facing teams have maintained contact with customers to ensure that they receive the service that they require, and procurement teams are liaising with suppliers to ensure that supply chain visibility is maintained.

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 products being maintained, and servicing provided to our customers who are operating in the key sectors during this period (Utilities, food manufacturing, energy). The Company has also implemented strict cost management measures and utilised the Governments COVID-19 support schemes including the VAT deferral scheme and the Job Retention Scheme where appropriate. Notwithstanding these measures and the Company's strong balance sheet position, the Company has experienced some negative impacts on its results year to date and any deterioration in the situation could have further adverse implications arising from the impacts on the global economy.

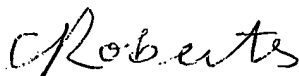
Although the global spread of COVID-19 began in 2019, the World Health Organisation declaration of a global pandemic did not take place until 11 March 2020. As at 31 December 2019 management did not foresee and could not reasonably have foreseen the escalation of the virus within the UK that subsequently took place. For this reason, the significant effects of COVID-19 that were not foreseen at the balance sheet date are not adjusted within these financial statements

STRATEGIC REPORT *(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 will be provided from the Company's immediate parent company, Hitachi ABB Power Grids Limited, to meet its liabilities as they fall due for a period of at least 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.



C Roberts
Company Secretary

25 February 2021

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the Company for the year ended 31 December 2019.

DIRECTORS

The Directors who served during the year were as follows:

IG Funnell	
AJ Myatt	Appointed 20 December 2019
AP Bennett	Appointed 20 December 2019, resigned 20 May 2020
LM Andersson	Resigned 19 December 2019
OD Brunk	Resigned 19 December 2019

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

The Company made no political or charitable donations or incurred any political or charitable expenditure during the year (2018: £nil).

OTHER INFORMATION

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 4.

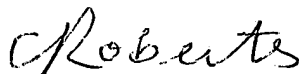
AUDITOR

As a result of the change in ownership KPMG LLP will not be seeking re-appointment as auditors at the forthcoming AGM. A resolution to appoint the Company's new auditor will be put to the forthcoming AGM.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

Approved by order of the Board



C Roberts
Company Secretary
25 February 2021

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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, matter related to group concerns; and
- use the going concern basis of accounting unless they 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 to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABB POWER GRIDS UK LIMITED

Opinion

We have audited the Financial Statements of ABB Power Grids UK Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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.

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 and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

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

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

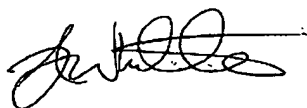
Auditor's responsibilities

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.



Antony Whittle (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

1 St Peters Square

Manchester

M2 3AE

25 February 2021

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
TURNOVER	3	63,752	13,500
Cost of sales		(57,491)	(7,896)
GROSS PROFIT		6,261	5,604
Net operating expenses		(12,853)	(6,158)
OPERATING LOSS	4	(6,592)	(554)
Interest receivable	6	7	6
Interest payable and similar charges	7	(23)	(80)
LOSS BEFORE TAXATION		(6,608)	(628)
Tax on loss	8	(1,673)	91
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(8,281)	(537)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(8,281)	(537)

All turnover and loss is from continuing operations.

The notes on pages 15 to 25 form part of these financial statements

BALANCE SHEET

at 31 December 2019

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Tangible assets	9	4,578	221
Intangible assets	10	921	-
		<u>5,499</u>	<u>221</u>
CURRENT ASSETS			
Stock	11	2,114	-
Debtors	12	157,871	12,509
Cash at bank and in hand		2,775	687
		<u>162,760</u>	<u>13,196</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	13	<u>(157,652)</u>	<u>(15,156)</u>
NET CURRENT ASSETS / (LIABILITIES)		5,108	(1,960)
TOTAL ASSETS LESS CURRENT ASSETS / (LIABILITIES)		10,607	(1,739)
Provisions for liabilities	15	<u>(2,704)</u>	<u>(146)</u>
NET ASSETS / (LIABILITIES)		<u>7,903</u>	<u>(1,885)</u>
CAPITAL AND RESERVES			
Called up share capital	16	18,699	630
Capital reserve		4,291	4,291
Profit and loss account		(15,087)	(6,806)
		<u>7,903</u>	<u>(1,885)</u>
SHAREHOLDER'S FUNDS / DEFECIT		<u>7,903</u>	<u>(1,885)</u>

The notes on pages 15 to 25 form part of these financial statements.

The financial statements of ABB Power Grids UK Limited, registered number 2985756, were approved on behalf of the board and authorised for issue on the date shown below.



IG Funnell
Director

Date 25 February 2021

STATEMENT OF CHANGES IN EQUITY

at 31 December 2019

	Called up share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	630	4,291	(6,269)	(1,348)
Loss for the financial year	-	-	(537)	(537)
Other comprehensive income	-	-	-	-
At 31 December 2018	630	4,291	(6,806)	(1,885)
Shares issued	18,069	-	-	18,069
Loss for the financial year	-	-	(8,281)	(8,281)
Other comprehensive income	-	-	-	-
At 31 December 2019	18,699	4,291	(15,087)	7,903

The Capital reserve represents a capital contribution received from ABB Limited, the Company's parent company.

The notes on pages 15 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2019****1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are presented in pound sterling and amounts are rounded to the nearest thousand unless where indicated otherwise.

The financial statements were approved for issue by the Board of Directors on 25 February 2021. The principal accounting policies adopted by the Company are set out in note 2.

2. ACCOUNTING POLICIES**2.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) 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;
- (b) 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;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- (e) the requirements of paragraph 17 and 18 A of IAS 24 Related Party Disclosures.

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 will be provided from the Company's immediate parent company, Hitachi ABB Power Grids Ltd, to meet its liabilities as they fall due for a period of at least 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.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2019****2. ACCOUNTING POLICIES (continued)****2.2 Judgements and key sources of estimation uncertainty**

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

This does not mean that every accounting judgement should be disclosed. However, disclosure would be appropriate in cases where the accounting outcome is materially different dependent on the judgement taken. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Reserve and margin recognition

Revenue and margin recognition on contracts is based on constraints on variable consideration, estimates of future costs and an assessment of technical and other risks.

Revenue is accounted for in accordance with IFRS 15 Revenue from Contracts with Customers. For most of the contracts, revenue and associated margin are recognised progressively over time as costs are incurred, and as risks have been mitigated or retired.

The ultimate profitability of contracts is based on estimates of revenue and costs, including allowances for technical and other risks, which are reliant on the knowledge and experience of the project managers, engineers and finance and commercial professionals. Material changes in these estimates could affect the profitability of individual contracts. Revenue and cost estimates are reviewed and updated at least quarterly, and more frequently as determined by events or circumstances.

The long-term nature of many of the Group's contracts means that judgements are made in estimating future costs on a contract as well as when risks will be mitigated or retired, which impacts when revenue and associated margin are recognised.

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

2.3 Significant accounting policies**Revenue recognition**

On 1st January 2018 the Company adopted the new IFRS15 standard on revenue recognition. The adoption did not have a material impact on the revenue recognised.

The Company recognizes revenue when it transfers the control over a good or service to a customer. The control is deemed to be transferred when the customer has the ability to direct the use of the asset or has the ability to obtain substantially all of the remaining benefits from that good or service.

Revenue is recognised on long term contracts over time as control is transferred. The basis used to determine the progress of the transfer of control is cost incurred.

Revenue is recognised on short term contracts at a point in time when the customer has control over substantially all the remaining benefits from the contract.

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

NOTES TO THE FINANCIAL STATEMENTS**31 December 2019****2. ACCOUNTING POLICIES (continued)****2.3 Significant accounting policies (continued)****Tangible fixed assets**

Depreciation is provided on all tangible fixed assets, except for freehold land, at rates calculated to write off cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Goodwill measurement

Goodwill has transferred from ABB Limited on acquisition. Goodwill is recognised at cost, less any accumulated impairment losses. It has not been amortised but will be tested annually for impairment. This is not in accordance with the large and medium sized Companies and Groups (accounts and Reports) Regulations 2008 which requires that all good will be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify these effects on the Finance statements of this departure.

Fixtures and fittings and computer equipment	20% - 30% per annum
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The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Work in progress on service contracts is stated at the lower of cost and net realisable value. Cost is measured as the cost of direct material and labour plus any attributable overheads.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date.

Acquisitions from entities under common control

The Company acquired the trade, assets and liabilities of the ABB Power Grids business during the year and has elected to treat this, and all future similar scenarios, as a book value transfer.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

3. TURNOVER

The turnover which is stated net of value added tax is attributable to 12 months performance from the development, marketing and servicing of Enterprise Software Solutions covering asset care and maintenance. In addition to 3 months performance of the Power Grids standalone business', High Voltage, Transformers, Grid Integration and Grid Automation. 2018 represents 12 months performance of Enterprise Software Solutions only.

An analysis of turnover is given below:

	2019 £'000	2018 £'000
Within the UK	46,935	2,933
Rest of Europe	15,833	8,602
Rest of the World	984	1,965
	<u>63,752</u>	<u>13,500</u>

Turnover from contracts with customers**Contract balances**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	2019 £'000	2018 £'000
Receivables	12	4,140	3,723
Contract assets	12	10,620	167
Contract liabilities	13	18,531	194

4. OPERATING LOSS

Operating loss is stated after charging:

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets	133	96
Auditor's remuneration:		
Audit of the financial statements	204	9
Net loss on foreign currency translation	312	51

5. DIRECTORS' REMUNERATION AND STAFF COSTS

	2019 £'000	2018 £'000
Director Emoluments		
Pensions	12	-
Benefits in kind	5	-
Wages and salaries	<u>121</u>	<u>39</u>
	<u>138</u>	<u>39</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

5. DIRECTORS' REMUNERATION AND STAFF COSTS (continued)

	2019 £'000	2018 £'000
Staff Costs		
Wages and Salaries	9,871	4,923
Social security costs	239	623
Other pensions costs	688	334
	<u>10,798</u>	<u>5,880</u>

The average number of employees during the year was 124 (2018: 63):

	2019	2018
Consulting & customer support	35	28
Sales & marketing	35	26
Administration	11	9
Production	43	-
	<u>124</u>	<u>63</u>

Directors' remuneration

Directors' remuneration was £138,000 (2018: £39,000). Previously the Directors were employees of fellow subsidiary companies and as such fees were recharged for services rendered on allocation of time spent.

6. INTEREST RECEIVABLE

	2019 £'000	2018 £'000
Interest receivable from group undertakings	<u>7</u>	<u>6</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £'000	2018 £'000
Interest payable to group undertakings	<u>23</u>	<u>80</u>

NOTES TO THE FINANCIAL STATEMENTS**31 December 2019****8. TAX ON LOSS**

Analysis of tax charge / (credit) for the year	2019 £'000	2018 £'000
Current taxation		
Current tax on loss for the year	-	(117)
Tax under provided in previous years	48	26
	<u>48</u>	<u>(91)</u>
Deferred taxation		
Origination and reversal of timing differences	1,625	-
Tax on loss on ordinary activities	<u>1,673</u>	<u>(91)</u>

Factors affecting current tax credit:

The tax charge / (credit) on the loss for the year differs from the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are reconciled below:

	2019 £'000	2018 £'000
Loss before tax	<u>(6,608)</u>	<u>(628)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(1,256)	(119)
Expenses not deductible for tax purposes	5	1
Tax under/over provided in previous year	48	26
Deferred tax not recognised	<u>2,876</u>	<u>1</u>
Total tax charge / (credit)	<u>1,673</u>	<u>(91)</u>

The Company has tax trading losses arising and carried forward in the UK of £16,776,000 (2018: £856,000) which are available indefinitely for offset against future taxable profits of the businesses in which the losses originally arose.

The Company has future tax adjustments in the UK of £2,968,156 (2018: £280,000) relating to decelerated capital allowances, and of £45,000 (2018: £45,000) relating to other timing differences.

Deferred tax assets have not been recognised in respect of the above noted tax losses and other timing differences as there is insufficient positive evidence available to support the future recoverability of these assets – See note 12.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2019****9. TANGIBLE FIXED ASSETS**

	<i>Land & Buildings £'000</i>	<i>Machinery Equipment & Vehicles £'000</i>	<i>Total £'000</i>
Cost:			
At 1 January 2019	-	651	651
Additions	-	38	38
Transfers in	4,368	3,177	7,545
Disposals	-	(66)	(66)
At 31 December 2019	<u>4,368</u>	<u>3,800</u>	<u>8,168</u>
Depreciation:			
At 1 January 2018	-	430	430
Charged during year	29	104	133
Transfers In	1,460	1,633	3,093
Disposals	-	(66)	(66)
At 31 December 2019	<u>1,489</u>	<u>2,101</u>	<u>3,590</u>
Net Book Value at 31 December 2019	<u>2,879</u>	<u>1,699</u>	<u>4,578</u>
Net Book Value at 31 December 2018	<u>-</u>	<u>221</u>	<u>221</u>

NOTES TO THE FINANCIAL STATEMENTS**31 December 2019****10. INTANGIBLE FIXED ASSETS**

	<i>Software £'000</i>	<i>Goodwill £'000</i>	<i>Total £'000</i>
Cost:			
At 1 January 2019	-	-	-
Transfers in	130	874	1,004
At 31 December 2019	<u>130</u>	<u>874</u>	<u>1,004</u>
Amortisation			
At 1 January 2019	-	-	-
Amortisation during year	-	-	-
Transfers in	83	-	83
At 31 December 2019	<u>83</u>	<u>-</u>	<u>83</u>
Net Book Value at 31 December 2019	<u>47</u>	<u>874</u>	<u>921</u>
Net Book Value at 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>

11. STOCK

	<i>2019 £'000</i>	<i>2018 £'000</i>
Raw materials and consumables	38	-
Work in progress	1,904	-
Finished goods	172	-
	<u>2,114</u>	<u>-</u>

Inventory is measured at the lower of cost and net realisable value in accordance with international accounting standard IAS2 inventories.

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

12. DEBTORS

	<i>2019 £'000</i>	<i>2018 £'000</i>
Trade debtors	4,140	3,723
Amounts owed by group undertakings	66,368	7,029
Corporation tax	1,066	1,046
Prepayments and accrued income	74,035	520
Amounts recoverable on contracts	10,620	167
Other debtors	695	24
Other financial assets	947	-
	<u>157,871</u>	<u>12,509</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

13. CREDITORS: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	7,488	52
Customer advances	18,531	194
Amounts owed to group undertakings	100,524	8,821
Other taxes and social security	690	49
Other creditors	2,541	160
Accruals and deferred income	27,878	5,880
	<u>157,652</u>	<u>15,156</u>

14. DEFERRED TAXATION

The amounts of deferred taxation are as follows:

	Unrecognised deferred tax	
	2019 £'000	2018 £'000
Decelerated Capital Allowances	505	48
Short term timing differences	8	8
Tax losses carried forward	2,852	145
	<u>3,365</u>	<u>201</u>

Unrecognised deferred tax assets have been calculated at 19% due to the uncertainty as to when these assets will crystallise. This rate is based on current enacted tax rates and law. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

This will have a consequential effect on the Company's future tax charge.

15. PROVISIONS FOR LIABILITIES

	<i>Restructuring</i> £'000	<i>Warranties</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
Provision at 1 January 2019	-	-	146	146
Charged to the statement of profit & Loss during the year	214	1,857	487	2,558
Utilised during the year	-	-	-	-
Allotted, called up and fully paid	<u>214</u>	<u>1,857</u>	<u>633</u>	<u>2,704</u>

Provisions for restructuring relate to redundancy costs. It is expected that the costs relating to redundancy will be incurred within 3 years of the balance sheet date.

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

Other provisions relate to provisions for losses or claims on ongoing contracts. It is expected that these costs will be incurred with three years of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

16. CALLED UP SHARE CAPITAL

Share capital	2019	2018
In thousands of shares	630	630
On issue at 17 July Issued for cash	18,069	-
On issue at 31 December – fully paid	<u>18,699</u>	<u>630</u>

Ordinary Shares of £1 each	No	2019 £'000	No	2018 £'000
Allotted, called up and fully paid	<u>18,698,650</u>	<u>18,699</u>	<u>630,002</u>	<u>630</u>

During the year the Company issued 18,069,000 £1 ordinary shares for a consideration of £18,069,000, settled in cash.

17. DEFINED CONTRIBUTION PENSION SCHEME

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charges to income of £688,000 (2018: £334,000) represents contributions payable by the Company to the fund. Contributions of £828,000 (2018: £45,000) due in respect of the current reporting period were payable to the fund at the year-end and are included in creditors.

18. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions with fellow subsidiaries. The Company has taken advantage of the exemption contained in paragraph 17 of IAS 24 and has therefore not disclosed these transactions as the group Financial Statements of ABB Ltd are publicly available from PO Box 8131, CH-8050, Zurich, Switzerland, which is the registered office of ABB Ltd. There were no other related party transactions requiring disclosure.

19. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent company is Hitachi ABB Power Grids Ltd, a company incorporated in Switzerland.

This is the undertaking of the largest and smallest group in which ABB Power Grids UK Limited is consolidated. A copy of the accounts can be obtained from PO Box 8131, CH-8050 Brown Boveri Strasse 5, Zurich, Switzerland, which is the registered office of Hitachi ABB Power Grids Ltd.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2019****20. POST BALANCE SHEET EVENTS**

On 17 July 2020, 18,698,650 ordinary shares in ABB Power Grids UK Limited, being 100% of the shares in ABB Power Grids UK Limited, were transferred from ABB Limited (Company No. 03780764) with registered office address at Daresbury Park, Daresbury, Warrington, Cheshire, WA4 4BT, United Kingdom to ABB Asea Brown Boveri Ltd (Company No. CHE-106.329.600) with registered office address at Affolternstasse 44, 8050 Zurich, Switzerland for consideration in the amount of £88,000,000.

On 21 July 2020, 18,698,650 ordinary shares in ABB Power Grids UK Limited were transferred from ABB Asea Brown Boveri Ltd to ABB Ltd (Company No. CHE-101.049.653) with registered office address at Affolternstasse 44, 8050 Zurich, Switzerland. The shares were distributed as a dividend in kind.

On 21 July 2020, 18,698,650 ordinary shares in ABB Power Grids UK Limited were transferred from ABB Ltd to Hitachi ABB Power Grids Ltd (Company No. CHE-339.599.331 with registered office address at Brown Boveri Strasse 5, 8050 Zurich, Switzerland. The shares were distributed as a dividend in kind.

Impact of COVID 19

In March 2020, the World Health Organisation (WHO) announced the COVID-19 outbreak a global pandemic. ABB has been consistently monitoring this situation and in line with governmental measures taken to contain the spread of the virus, have made appropriate work arrangements and implemented precautionary travel restrictions. This includes all employees avoiding any non-business critical travel. The Company is also following applicable national health services regulations and WHO guidance. We have taken various internal preventive and protective measures in accordance with ABB's crisis management and business contingency plans.

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. Many teams have been set up to manage the situation by site, business and function. Weekly update communication has been sent to all staff and all hands webinars held on a monthly basis. Customer facing teams have maintained contact with customers to ensure that they receive the service that they require, and procurement teams are liaising with suppliers to ensure that supply chain visibility is maintained.

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 products being maintained, and servicing provided to our customers who are operating in the key sectors during this period (Utilities, food manufacturing, energy). The Company has also implemented strict cost management measures and utilised the Governments COVID-19 support schemes including the VAT deferral scheme and the Job Retention Scheme where appropriate. Notwithstanding these measures and the Company's strong balance sheet position the Company has experienced some negative impacts on its results year to date and deterioration in the situation could have further adverse implications arising from the impacts on the global economy.

Although the global spread of COVID-19 began in 2019, the World Health Organisation declaration of a global pandemic did not take place until 11 March 2020. As at 31 December 2019 management did not foresee and could not reasonably have foreseen the escalation of the virus within the UK that subsequently took place. For this reason, the significant effects of COVID-19 that were not foreseen at the balance sheet date are not adjusted within these financial statements.