ABB LIMITED

Report and Financial Statements

31 December 2012

Registered Number: 3780764

REGISTERED NO 3780764

DIRECTORS

TJ Gregory
ID Rennie
W McLaughlin

SECRETARY

D Benn

AUDITORS

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

BANKERS

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

REGISTERED OFFICE

Daresbury Park
Daresbury
Warrington
Cheshire
WA4 4BT

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2012

RESULTS AND DIVIDENDS

The results for the year are set out on page 9 The profit for the year after taxation amounted to £ 23,862,000 (2011 £42,760,000) During the year the company has paid an interim dividend of £nil (2011 £65,000,000)

PRINCIPAL ACTIVITIES

The company is a member of the ABB Group and is owned by ABB Holdings Limited, a company registered in England and Wales

The principal activities of the company in the year were the provision of solutions for secure, energy-efficient generation, transmission and distribution of electricity and for increasing productivity in industrial, commercial and utility operations

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The company's turnover comprises delivery of projects, sale of products and associated service operations Many of the products sold during the year, either directly or as part of integrated projects, are manufactured by both the company in the UK and ABB facilities overseas The ABB group is organised on worldwide divisional lines and individual budgets and targets are set for each division

The company's key performance indicators during the year were

	2012 £m	2011 £m	Change %
Turnover from continuing operations	611 0	540 0	+13%
Operating profit from continuing operations (excluding restructuring costs)	30 3	31 8	-5%
Shareholders funds	11 2	60 9	-82%

The slow recovery of the UK and global economy continued to have some negative impact in 2012 However, a mixture of favourable factors resulted in greater demand across most divisions, producing an increase in revenues of 13% year on year Demand for greater energy efficiency and industrial productivity were key drivers behind customer investments for both capital projects and operational expense, boosting service revenues (which are generated in all of our business segments, but predominately in Process Automation) Demand for power infrastructure projects remained strong, with orders won in 2011 and 2012 fuelling an increase in revenues for Power Products and strong, (though slightly reduced year on year), revenue performance in Power Systems Continued recovery in the automotive industry, demand for energy efficiency products, and water industry expenditure cycles supported the high level of growth in Discrete Automation and Motion, with revenues up 33% on the prior period Within the Oil & Gas sector, demand remained buoyant in the North Sea, and demand in the Caspian Sea also remained strong which, helped drive a year on year increase in revenues for the Oil & Gas sector which is part of Process Automation

Although revenues showed an increase year on year, profitability declined slightly mainly due to the mix of business during the year

Net assets have reduced by 82% year on year, primarily due to deterioration in the funding position of the defined benefit pension schemes as a result of actuarial losses recognised in the calculation of the liabilities

Demand for power infrastructure projects and increasing investment in renewable energy and energy efficiency projects resulted in strong orders growth in 2012 and a year end open order book 4% higher than the prior year Demand in short-cycle operations remained consistently strong throughout 2012, demonstrating a return to discretionary capital and operational expenditure across a number of industrial sectors The strong order book, positive demand indicators in both our long and short cycle activities, coupled with strong cost and working capital control, provide a positive outlook for continued profitability in the short and medium term

RISKS AND UNCERTAINTIES

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

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

Financial risks are addressed as part of a stringent process of budgeting and forecasting Credit assessments are made of all new customers and appropriate limits set and monitored A rolling forecast of cash flows is maintained and any temporary shortfalls are supported by a revolving credit facility with the ultimate parent company's treasury centre

The company has transactional currency exposures arising from sales and purchases in foreign currencies It is group policy to hedge all contracted exposures plus at least 50% of forecast foreign currency sales of standard products over a rolling 12 month period, by taking forward foreign currency contracts

GOING CONCERN

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

RESEARCH AND DEVELOPMENT

The company contributes toward the research and development activities of the ABB Group Such activities are directed principally toward the development of new products and improving the performance and effectiveness of existing products In 2012 expenditure amounting to £5,236,000 (2011 £6,358,000) was incurred and charged in full to the company's profit and loss account

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and subsequently were

TJ Gregory
ID Rennie
W McLaughlin

HEALTH AND SAFETY

The directors give special attention to the health and safety of their employees The group's safety policy is supported by a detailed safety manual, the relevant parts of which are supplied to all supervisory staff

EMPLOYEES

The company has the policy of providing employees with relevant information about the company and the group This has been achieved through various publications circulated throughout the group, the regular distribution of notices and regular meetings of consultative committees Employees are encouraged to invest in the group through participation in share option schemes

It is the company's policy to give full and fair consideration to disabled applicants in recruitment, training and career development and whenever possible to continue the employment of and arrange appropriate facilities for employees who become disabled whilst employed

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company has granted indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

POLITICAL AND CHARITABLE DONATIONS

During the year the company made charitable contributions totalling £12,661 (2011 £11,584) to various organisations including Macmillan Cancer Relief No political contributions were made (2011 £nil)

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2012 the company had an average of 71 days (2011 75 days) purchases outstanding in trade creditors

DIRECTORS' REPORT *(continued)*

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting

By order of the Board

David Benn
Secretary

Dated 26 September 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABB LIMITED

We have audited the financial statements of ABB Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 29 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Susan Broughton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham
Date 30th September 2013

PROFIT & LOSS ACCOUNT
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
TURNOVER			
Continuing operations	2	610,954	539,892
Cost of sales	3	(548,820)	(478,047)
GROSS PROFIT		62,134	61,845
Net operating expenses	3	(31,877)	(30,038)
OPERATING PROFIT FROM CONTINUING OPERATIONS	4	30,257	31,807
PROFIT BEFORE INTEREST, OTHER FINANCE INCOME AND TAXATION		30,257	31,807
Interest receivable	7	575	128
Interest payable	8	(2,378)	(1,856)
Other finance income	9	7,210	8,906
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		35,664	38,985
Tax on profit on ordinary activities	10	(11,802)	3,775
RETAINED PROFIT FOR THE YEAR	22	23,862	42,760

BALANCE SHEET
at 31 December 2012

	Notes	*2012* *£'000*	*2011* *£'000*
FIXED ASSETS			
Intangible assets	11	23,653	32,995
Tangible assets	12	16,431	13,018
Investments	13	11,160	30,201
		51,244	76,214
CURRENT ASSETS			
Stocks	14	68,144	55,689
Debtors Amounts falling due after one year	15	20,969	28,824
Amounts falling due within one year	15	240,985	183,833
Cash at bank and in hand - restricted	16	12,593	14,969
- other		2,936	3,182
		345,627	286,497
CREDITORS amounts falling due within one year	17	(218,005)	(208,446)
NET CURRENT ASSETS		127,622	78,051
TOTAL ASSETS LESS CURRENT LIABILITIES		178,866	154,265
CREDITORS amounts falling due after more than one year	18	(76,490)	(61,272)
PROVISIONS FOR LIABILITIES	19	(19,027)	(15,905)
NET ASSETS EXCLUDING PENSION LIABILITY		83,349	77,088
Net pension liability	26	(72,161)	(16,215)
NET ASSETS		11,188	60,873
CAPITAL AND RESERVES			
Called up share capital	21	60,000	60,000
Profit and loss account	22	(48,812)	873
EQUITY SHAREHOLDER'S FUNDS	22	11,188	60,873

These financial statements were approved on behalf of the Board on the date shown below

Trevor Gregory
Director
Trevor Gregory

Date
26. Sept. 2013

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2012

		2012	*2011*
	Notes	*£'000*	*£'000*
Profit for the year		23,862	42,760
Actuarial loss recognised in the pension schemes	22	(93,097)	(68,509)
Related deferred tax asset		19,550	17,449
Total recognised loss relating to the year		(49,685)	(8,300)

1. ACCOUNTING POLICIES

Accounting convention

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

The financial statements were approved for issue by the Board of Directors on 26th September 2013

Group Accounting

Consolidated accounts have not been prepared as the company qualifies for the exemption under S401 of the Companies Act 2006 on the grounds that the company is included in the consolidated accounts of its ultimate parent, ABB Ltd Accordingly, these financial statements present information about the company as an individual undertaking and not as group

Intangible fixed assets

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable Goodwill is amortised over 20 years

The costs of implementing major software is capitalised at cost The cost is amortised on a straight line basis over its useful economic life up to a maximum of 5 years

Tangible fixed assets

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

Freehold buildings	- 15 to 50 years
Leasehold land and buildings	- over the lease term
Machinery and equipment and vehicles	- 3 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows

Raw materials and goods for resale	- purchase cost on a first-in, first-out basis
Work In Progress and finished goods	- cost of direct materials and labour plus attributable overheads

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

1. ACCOUNTING POLICIES *(continued)*

Revenue Recognition

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty The profit included is calculated to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract

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

Revenue is recognised on product sales on delivery of goods

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

Research and development

Research and development expenditure is written off as incurred on the related project

Deferred taxation

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction except where forward foreign currency contracts have been used to reduce exposure to foreign exchange rates, in which case the rate in the forward contract is used 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

1 ACCOUNTING POLICIES *(continued)*

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease

Share based payment charges

The group has share based employee incentive plans which are described more fully in note 27 The relevant shares are those of the ultimate holding company, ABB Ltd registered in Switzerland The plans are run and administered by companies in the ABB group, outside of the UK The fair value of share based payments is charged to the profit and loss account on a straight line basis over the vesting period after taking account of forfeitures

Pensions

The company operates two defined benefit pension schemes Both schemes have been closed to new members since January 2004 from which time membership of a defined contribution plan has been available

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice As the scheme is closed to new members, adopting the projected unit method will result in the current service cost increasing as the members of the scheme approach retirement Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur

1. **ACCOUNTING POLICIES** *(continued)*

Pensions (continued)

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly Fair value is based on market price information and in the case of quoted securities is the published bid value The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable

Cash flow statement

A statement of cash flows in accordance with FRS 1 (revised) has not been prepared as the company is a wholly owned subsidiary of ABB Ltd incorporated in Switzerland which presents a cash flow within its consolidated accounts

2 TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts derived from the provision of goods and services to third parties which fall within the company's ordinary activities, stated net of value added tax

Turnover, profit on ordinary activities before tax and net assets are analysed as follows

Business Segment

	Continuing Operations	
	2012	*2011*
	£'000	*£'000*
Turnover		
Process Automation	206,963	180,038
Low Voltage Products	48,938	41,917
Discrete Automation & Motion	127,849	96,127
Power Systems	147,204	152,676
Power Products	79,644	68,620
Other non trading divisions	356	514
Total	610,954	539,892
Profit Before Taxation		
Process Automation	15,567	14,043
Low Voltage Products	643	(373)
Discrete Automation & Motion	10,313	8,937
Power Systems	10,359	13,561
Power Products	1,029	2,075
Other non trading divisions	(7,654)	(6,436)
Total operating profit	30,257	31,807
Net interest	(1,803)	(1,728)
Other financial income	7,210	8,906
Profit on ordinary activities before taxation	35,664	38,985
Net Assets		
Process Automation	97,376	88,021
Low Voltage Products	400	(221)
Discrete Automation & Motion	41,789	34,699
Power Systems	63,620	60,316
Power Products	3,867	(1,035)
Other non trading divisions	(195,864)	(120,907)
Total	11,188	60,873

2. TURNOVER AND SEGMENTAL ANALYSIS *(continued)*

Geographical Market

	Continuing Operations 2012 £000	2011 £000
Turnover		
UK	508,103	448,689
Europe	51,923	20,285
Rest of the World	50,928	70,918
Total	610,954	539,892
Profit Before Taxation		
UK	24,858	24,567
Europe	2,726	1,592
Rest of the World	2,673	5,648
Total operating profit	30,257	31,807
Net interest	(1,803)	(1,728)
Other finance income	7,210	8,906
Profit on ordinary activities before taxation	35,664	38,985

Net assets held outside the UK are not material

3 COST OF SALES AND NET OPERATING EXPENSES

	Continuing Operations 2012 £'000	2011 £'000
COST OF SALES	548,820	478,047
Distribution expenses	3,146	2,484
Administration costs	28,395	27,738
Other operating expense	336	(184)
NET OPERATING EXPENSES	31,877	30,038

4 OPERATING PROFIT

This is stated after charging

		2012	2011
		£'000	£'000
Auditor's remuneration	- for audit services	397	358
	- for non-audit services	70	51
Research and Development expenditure written off		5,236	6,358
Depreciation	- tangible fixed assets	1,255	1,274
	- leased assets	432	378
Amortisation	- goodwill	7,557	6,797
	- capitalised software	1,900	1,890
Operating lease rentals			
	- plant and machinery	4,561	3,173
	- land and buildings	2,523	3,038

Auditors remuneration for non-audit services comprises taxation services

5. STAFF COSTS

	2012 £'000	2011 £'000
Wages and salaries	91,963	83,355
Social Security costs	10,023	9,677
Other pension costs	11,947	8,916
	113,933	101,948

	2012 £'000	2011 £'000
Other pension costs comprise		
Defined benefit schemes		
Service cost	8,477	5,971
Curtailment cost	-	350
Total defined benefit scheme cost	8,477	6,321
Defined contribution schemes	3,470	2,595
	11,947	8,916

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

	2012 No	2011 No
Research and Development	47	45
Manufacturing and Installation Business	462	368
Engineering	824	655
Sales, Marketing, Consulting and Office Management	666	712
	1,999	1,780

6. DIRECTORS REMUNERATION

	2012 £'000	2011 £'000
Emoluments (excluding pension contributions)	960	970

Three directors (2011 three) were members of the company's defined benefit pension scheme
None of the directors participate in defined contribution schemes

	2012 £'000	2011 £'000
Highest paid director		
Emoluments (excluding pension contributions)	424	394
Accumulated accrued defined benefit pension at year end	92	86

7. INTEREST RECEIVABLE

	2012 £'000	2011 £'000
Group interest receivable	34	-
Bank deposit interest	79	128
Other deposits	462	-
	575	128

8 INTEREST PAYABLE

	2012 £'000	2011 £'000
Group Interest payable	1,930	1,307
Bank loans and overdrafts	-	506
Finance charges under finance leases and HP contracts	440	43
Other interest payable	8	-
	2,378	1,856

9 OTHER FINANCE INCOME

	2012 £'000	2011 £'000
Expected return on pension scheme assets	43,875	44,959
Interest on pension scheme liabilities	(36,665)	(36,053)
	7,210	8,906

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

The total taxation credit to the profit and loss account and the statement of recognised gains and losses is as follows

	2012 £'000	2011 £'000
Current tax		
UK corporation tax	243	34
Overseas tax	249	372
	492	406
Deferred tax		
Origination and reversal of timing differences	(12,516)	(24,904)
Impact of reduction in rate of taxation	4,276	3,274
Total deferred tax	(8,240)	(21,630)
Taxation credit	(7,748)	(21,224)

The total credit is reflected in the accounts as follows

	2012 £'000	2011 £'000
Profit and loss account		
Tax on ordinary activities	9,388	(7,371)
Impact of reduction in rate of taxation	2,414	3,596
	11,802	(3,775)
Statement of total recognised gains and losses		
Deferred tax asset on loss recognised in the pension schemes	(21,412)	(17,127)
Impact of reduction in rate of taxation	1,862	(322)
	(19,550)	(17,449)
	(7,748)	(21,224)

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

Factors affecting current tax charge·

The tax charged on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 24 5% (2011 26 5%) The differences are reconciled below

	2012	*2011*
	£'000	*£'000*
Profit on ordinary activities before tax	35,664	38,985
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 26 5%)	8,738	10,331
Expenses not deductible for tax purposes	241	364
Impairment and amortisation of goodwill not deductible for tax	2,305	2,295
Loss on disposal of fixed assets not allowable	40	-
Utilisation of tax losses brought forward	(2,586)	(1,208)
Excess of capital allowances over depreciation	(229)	(316)
Movement on provisions not allowable (not taxable)	(431)	(373)
Timing differences related to pensions liability	(7,717)	(10,828)
R&D Tax credits	(159)	(132)
Withholding taxes written off net of tax relief claimed	188	273
Tax underprovided in previous years	102	-
Total current tax	492	406

The company has tax trading losses arising and carried forward in the UK of £111,185,000 (2011 £121,150,000) which are available indefinitely for offset against future taxable profits of the businesses in which the losses originally arose It also has tax capital losses arising and carried forward in the UK of £31,328,612 (2011 £31,288,612) which are available indefinitely for offset against future capital gains in any part of the UK group

The company has future tax adjustments in the UK of £2,223,000 (2011 £2,036,000) relating to decelerated capital allowances, and of £850,000 (2011 £2,609,000) relating to other timing differences In addition, a future tax adjustment related to the unrelieved balance of the lump sum pension contribution paid in 2010 will be obtained in 2013 This amounts to £5,807,000 Deferred tax assets have been fully recognised in respect of the above noted tax losses and other timing differences as there is sufficient evidence available to support the future recoverability of these assets

10 TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

The deferred tax assets recognised at 31 December 2012 are as follows

	2012	*2011*
	£'000	*£'000*
Pension deficit (Note 26)	21,554	5,405
Special pensions contribution	1,336	4,076
Tax losses	25,573	30,288
Decelerated capital allowances	511	509
Other timing differences	196	652
	49,170	40,930

This total deferred tax asset recognised of £49,170,000 is reflected in these accounts as follows

	Debtors Note 15 £'000	*Pensions Note 26 £'000*	*Total £'000*
Brought forward at 1 January 2012	35,525	5,405	40,930
Movement in the year - P&L	(7,909)	(3,401)	(11,310)
Movement in the year – STRGL	-	19,550	19,550
Carried forward at 31 December 2012	27,616	21,554	49,170

In his budgets of 23 March 2011, 21 March 2012 and 20 March 2013, the Chancellor of the Exchequer proposed decreases in the rate of the UK corporation taxation from 28% to 20%, falling by 2% in both 2011 and 2012 with further reductions of 1% in 2013, 2% in 2014 and 1% in 2015 to reach a rate of 20% effective 1 April 2015 On 17 July 2012, the reduced taxation rate of 23% was enacted and, in accordance with accounting standards, this has been reflected in the recognised deferred taxation asset disclosure

As the further reductions to 20% were not substantively enacted at the balance sheet date, these are not reflected in these financial statements The estimated effect of all further proposed reductions in rate by 2015 and the changes to the capital allowances regime, would be to decrease the recognised deferred tax asset by £1,883,000

11. INTANGIBLE FIXED ASSETS

	Goodwill	*Capitalised software*	*Total*
	£'000	*£'000*	*£'000*
Cost			
At 1 January 2012	132,222	10,769	142,991
Additions	-	115	115
Disposals	-	(100)	(100)
At 31 December 2012	132,222	10,784	143,006
Depreciation			
At 1 January 2012	102,489	7,507	109,996
Charged during the year	7,557	1,900	9,457
Disposals	-	(100)	(100)
At 31 December 2012	110,046	9,307	119,353
Net book value at 31 December 2012	22,176	1,477	23,653
Net book value at 31 December 2011	29,733	3,262	32,995

12. TANGIBLE FIXED ASSETS

	Land and Buildings	*Machinery, Equipment and Vehicles*	*Total*
	£'000	*£'000*	*£'000*
Cost			
At 1 January 2012	15,052	31,557	46,609
Additions	3,332	2,291	5,623
Disposals	(390)	(4,216)	(4,606)
At 31 December 2012	17,994	29,632	47,626
Depreciation			
At 1 January 2012	6,975	26,616	33,591
Charged during the year	238	1,449	1,687
Disposals	(33)	(4,050)	(4,083)
At 31 December 2012	7,180	24,015	31,195
Net Book Value at 31 December 2012	10,814	5,617	16,431
Net Book Value at 31 December 2011	8,077	4,941	13,018

12. TANGIBLE FIXED ASSETS *(continued)*

The net book value of land & buildings consisted of

	2012	*2011*
	£'000	*£'000*
Freehold	9,858	7,344
Long Leasehold	956	733
	10,814	8,077

The net book value of fixed assets includes an amount of £950,000 (2011 £524,000) in respect of assets held under finance leases The cost of land is £3,857,549 (2011 £4,177,149)

13. INVESTMENTS

	Other Investments *£'000*
Cost	
At 1 January 2012	30,264
Revaluation	(20,300)
Additions	1,259
At 31 December 2012	11,223
Amounts provided	
At 1 January 2012 and 31 December 2012	63
Net book value at 31 December 2012	11,160
Net book value at 31 December 2011	30,201

As a result of changes in Baldor UK's business model in the period immediately after the Stock Purchase Agreement was singed 2011, the shares to which the Stock Purchase Agreement applied were revalued by ABB's financial advisors resulting in a repayment to the Company of £20,300,000 during 2013

13 INVESTMENTS *(continued)*

Details of the investments included above in which the company directly or indirectly holds more than 20% of the nominal value of any class of share capital are as follows

Name of Company	*Country of Registration*	*Proportion of nominal value of ordinary Shares held*	*Nature of business*
Gratte Barrett & Wright Limited	UK	40%	Dormant
Baldor UK Limited	UK	100%	Design & Manufacture of industrial servo drives & motion control equipment
Lorentzen & Wettre Limited	UK	100%	Dormant
Trasfor Electric Limited	UK	100%	Sale & Service of distribution transformers

14 STOCKS

	2012	*2011*
	£'000	*£'000*
Raw materials and consumables	7,063	7,471
Work In Progress	46,491	33,907
Finished goods	14,590	14,311
	68,144	55,689

Work In Progress		
Net costs less foreseeable losses	83,779	79,317
Applicable payments on account	(37,288)	(45,410)
	46,491	33,907

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

15. DEBTORS

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade debtors	81,853	78,768
Amounts owed by group undertakings	113,456	50,790
Other debtors	18,829	22,378
Prepayments	1,843	2,760
Amounts recoverable on contracts	18,357	22,436
Deferred tax (note 10)	6,647	6,701
	240,985	183,833
Amounts falling due after one year		
Deferred tax (Note 10)	20,969	28,824

16 RESTRICTED CASH

	2012 £'000	2011 £'000
Restricted Cash	12,593	14,969

The company holds £12,592,914 (2011 £14,969,000) in a restricted bank account set aside for meeting its future obligations under finance and non cancellable operating leases This was required prior to the payment of a dividend during the prior year, as part of the Court Order approving the capital reduction referred to in note 22

17 CREDITORS amounts falling due within one year

	2012	2011
	£'000	£'000
Amounts owed under finance leases	367	227
Trade creditors	7,657	6,044
Customer advances	62,268	67,166
Amounts owed to group undertakings	67,886	51,370
Current corporation taxes	263	34
Other taxes and social security costs	26,580	17,452
Other creditors	1,802	7,162
Accruals	51,182	58,991
	218,005	208,446

18 CREDITORS amounts falling due after more than one year

	2012	2011
	£'000	£'000
Amounts owed to group undertakings	75,132	60,000
Amounts owed under finance leases between two and five years	1,358	1,272
	76,490	61,272

The amounts owed to group undertakings includes the amount drawn down in the year against an £80million (2011 £60million) term facility provided to the company The facility expires on 26 November 2017 and attracts interest at a variable rate based on IBOR plus a market based margin assessed annually by ABB Group

19. PROVISIONS FOR LIABILITIES

	Restructuring	Warranties	Other	Total
	£'000	£'000	£'000	£'000
Provisions at 1 January 2012	3,173	7,183	5,549	15,905
Charged to the P&L account during the year	2,737	1,038	3,059	6,834
Utilised during the year	(1,568)	(888)	(1,256)	(3,712)
Provisions at 31 December 2012	4,342	7,333	7,352	19,027

19. PROVISIONS FOR LIABILITIES *(continued)*

Provisions for restructuring relate primarily to vacant property costs, relocation and redundancies It is expected that the costs relating to redundancy and relocation will be incurred within three years of the balance sheet date The vacant property provision amounting to £1,515,000 (2011 £2,441,000) has been discounted

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

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

20. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Amounts due under finance lease and hire purchase contracts

	2012	*2011*
	£'000	*£'000*
Amounts payable		
Within one year	367	229
Within two to five years	656	467
In over five years	702	762
	1,725	1,458

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		*Other*	
	2012	*2011*	*2012*	*2011*
	£'000	*£'000*	*£'000*	*£'000*
Operating leases which expire				
Within one year	246	300	347	711
Within two to five years	359	1,209	2,476	1,881
In over five years	1,269	907	-	-
	1,874	2,416	2,823	2,592

21 SHARE CAPITAL

Ordinary shares of £1 each

	2012	*2011*	*2012*	*2011*
	No	*No*	*£'000*	*£'000*
Authorised	140,000,000	140,000,000	140,000	140,000
Allotted and fully paid	60,000,000	60,000,000	60,000	60,000

22 RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES

	Called up Share Capital £'000	*Profit and loss Account £'000*	*Total £'000*
At 1 January 2011	60,000	74,173	134,173
Actuarial loss on pension schemes	-	(68,509)	(68,509)
Related deferred tax liability	-	17,449	17,449
Profit for the financial year	-	42,760	42,760
Dividend Payment	-	(65,000)	(65,000)
At 1 January 2012	60,000	873	60,873
Actuarial loss on pension schemes	-	(93,097)	(93,097)
Related deferred tax asset	-	19,550	19,550
Profit for the financial year	-	23,862	23,862
At 31 December 2012	60,000	(48,812)	11,188

On 18th August 2010, the company obtained the approval of the High Court to reduce its Called up Share Capital by £80,000,000 to £60,000,000

As part of the Court Order the company agreed to create an undistributable special reserve of £47,659,000 for the purposes of Section 831 of the Companies Act 2006 This special reserve may be released provided that an amount equal to future obligations under finance and non cancellable operating leases be set aside in a restricted bank account to be used only for meeting those future obligations

23 DIVIDENDS PAID

	2012 £'000	*2011 £'000*
Dividends declared and paid during the year		
Interim dividend	-	65,000

24 CAPITAL AND FINANCIAL COMMITMENTS

At 31 December 2012 there were £917,000 (2011 £503,000) capital commitments contracted for but not provided

At 31 December 2012 the company had entered into commitments to sell foreign currencies in future months amounting to £21,834,516 (2011 £45,596,142) The fair value of the forward contracts held at the balance sheet date, determined by reference to their market values, is £302,000 (2011 £1,802,024)

25 CONTINGENT LIABILITIES

At 31 December 2012 there were no outstanding contingent liabilities in respect of the company (2011 £NIL), other than the matters detailed below

Guarantees related to contracts

In accordance with industry practice guarantees of performance under contracts with customers and under offers on tenders are given

Such guarantees can, in the normal course, extend from the tender period until the final acceptance by the customer, or the end of the warranty period and may include guarantees on project completion, of contract specific defined performance criteria or plant availability

The guarantees are provided by banks or surety companies by way of performance bonds, surety bonds and letters of credit and are normally for defined amounts and periods At 31 December 2012, these guarantees amounted to £20,832,378 (2011 £27,867,602)

The company provides a counter indemnity to the bank or surety company

Projects for which the guarantees are given are regularly reviewed by management and when it becomes probable that payments pursuant to performance guarantees will be required to be made, accruals are recorded in the financial statements at that time

Claims

The company, ABB Ltd and certain other subsidiaries of ABB Ltd (the Zurich based holding company), and other third party companies , have received claims from (a) National Grid Electricity Transmission plc and (b) EDF Energy Networks (LPN) plc, EDF Energy Networks (EPN) plc, and EDF Energy Networks (SPN), in which these claimants allege to have sustained damages in connection with anti-competitive practices that were the subject of the decision of the European Commission in Case COMP/F/38 889 The company will defend this case vigorously as it does not believe that it is liable No provision has been made for a settlement as of 31 December 2012

26. PENSIONS

The company has a number of defined benefit and defined contribution pension schemes designed to provide retirement benefits for the majority of employees The principal defined benefit pension schemes which cover UK personnel are funded externally under the supervision of boards of trustees

Total annual contributions to the schemes are based on independent actuarial advice, and are gauged to fund future pension liabilities (including projected increases in earnings and pensions) in respect of service up to the balance sheet date

The schemes are subject to independent actuarial valuation at least every three years Valuations for The ABB Plan and the Fischer and Porter Limited Pension and Life Assurance Fund were last carried out on 6 April 2011 and 1 January 2010 respectively and both have been updated to 31 December 2012 by qualified independent actuaries

The estimated actuarial valuation at 31 December 2012 showed a deficit of £91,382,000 (2011 deficit of £19,217,000) The service cost has been calculated using the projected unit method The employer contributed an average of 17% (2011 17%) of members' pensionable salaries plus an additional lump sum of £15 million (2011 £20 million) during the year

The major assumptions used for FRS17 purposes were as follows

	At 31 December 2012	*At 31 December 2011*	*At 31 December 2010*	*At 31 December 2009*
Rate of increase in salaries	4 00%	4 00%	4 00%	4 00%
Rate of increase in deferred pensions	2 25%	2 25%	2 75%	3 25%
Rate of increase in pensions in payment	3 15%	3 15%	3 15%	3 15%
Discount rate	4 55%	4 85%	5 45%	5 65%
Inflation assumption	3 25%	3 25%	3 25%	3 25%
Expected long term return on plan assets	6 00%	6 50%	6 50%	6 50%

26 PENSIONS *(continued)*

The assets in the schemes (excluding defined contribution assets) and the net pension asset (liability) were

	At 31 December 2012 £'000	*At 31 December 2011 £'000*	*At 31 December 2010 £'000*	*At 31 December 2009 £'000*
Equities	235,496	188,372	265,582	228,804
Bonds	528,487	529,913	407,040	368,575
Others	46,953	30,708	20,803	981
Total market value of assets	810,936	748,993	693,425	598,360
Present value of scheme liabilities	(902,318)	(768,210)	(673,181)	(647,139)
(Deficit) surplus in the schemes	(91,382)	(19,217)	20,244	(48,779)
Related deferred tax (liability) asset	21,554	5,405	(4,461)	-
Amount not recognised	(2,333)	(2,403)	(3,721)	-
Net pension (liability) asset	(72,161)	(16,215)	12,062	(48,779)

In accordance with para 37 of FRS17, the company recognises any surplus only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme At 31 December 2012 and 2011 there was a surplus in one of the schemes and the directors, advised by the scheme actuary, have determined that it should be restricted by £2,333,000 (2011 £2,403,000)

26 PENSIONS *(continued)*

Analysis of the components of the defined benefit cost

	2012 £'000	2011 £'000
Recognised in the profit and loss account		
Current service cost	8,477	5,971
Cost at curtailment	-	350
Recognised in arriving at operating profit	8,477	6,321
Expected return on pension scheme assets	(43,875)	(44,959)
Interest on pension scheme liabilities	36,665	36,053
Other finance income	(7,210)	(8,906)
Total recognised in the profit and loss account	1,267	(2,585)
Taken to the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	(18,084)	(4,179)
Experience loss arising on scheme liabilities	13,578	7,370
Amount not recognised	(387)	(1,708)
Loss arising from changes in assumptions underlying the present value of scheme liabilities	97,990	67,026
Actuarial losses recognised in the statement of total recognised gains and losses	93,097	68,509

Analysis of movements in the deficit during the year

	2012 £'000	2011 £'000
At 1 January	(21,620)	16,523
Total operating charge	(8,477)	(6,321)
Total other finance income	7,210	8,906
Actuarial loss	(93,097)	(68,509)
Contributions	22,269	27,781
At 31 December	(93,715)	(21,620)

26. PENSIONS *(continued)*

History of experience gains and losses

	2012	*2011*	*2010*	*2009*	*2008*
(Gain) loss between actual return and expected return on pension scheme assets					
- amount (£000)	(18,084)	(4,179)	(22,645)	(46,172)	130,608
- % of scheme assets	-2 2%	-0 6%	- 3 2%	-7 7%	25 5%
Experience losses (gains) arising on scheme liabilities					
- amount (£000)	13,578	7,370	(9,961)	(30,406)	(464)
- % of the present value of the scheme liabilities	1 5%	1 0%	1 4%	-4 7%	-0 1%
Changes in assumptions underlying the present value of the scheme liabilities					
- amount (£'000)	97,990	67,026	12,810	82,356	(28,291)
- % of the present value of scheme liabilities	10 9%	8 7%	1 9%	12 7%	-4 9%
Total actuarial loss (gains)recognised in the statement of total recognised gains and Losses					
- amount (£000)	93,097	68,509	(16,075)	5,778	101,853
- % of the present value of scheme liabilities	10 3%	8 9%	-2 4%	0 9%	17 8%
(Deficit) Surplus					
Actuarial value of plan liabilities	(902,318)	(768,210)	(673,181)	(647,139)	(573,596)
Fair value of assets	810,936	748,993	693,425	598,360	511,740
Amount not recognised	(2,333)	(2,403)	(3,721)	-	-
(Deficit) Surplus in plan	(93,715)	(21,620)	16,523	(48,779)	(61,856)

26. PENSIONS *(continued)*

	2012	*2011*
	£'000	*£'000*
Change in Plan assets		
Fair value of assets at the start of the period	748,993	693,425
Expected return on assets	43,875	44,959
Actuarial gain	18,401	4,569
Employer contributions	22,269	27,781
Plan participants contributions	2,584	2,731
Benefits paid	(25,186)	(24,472)
Fair value of assets at the end of the period	810,936	748,993

	2012	*2011*
	£'000	*£'000*
Change in actuarial value of Plan liabilities		
Plan liabilities at the start of the period	768,210	673,181
Employer service cost	8,477	5,971
Interest cost	36,665	36,053
Plan participants contributions	2,584	2,731
Actuarial loss	111,568	74,396
Benefits paid from plan assets	(25,186)	(24,472)
Curtailments	-	350
Plan liabilities at the end of the period	902,318	768,210

27. EMPLOYEE INCENTIVE PLANS

The ABB Group has two share-based employee incentive plans applying to employees of the UK group as described below Both incentive plans are run and administered by companies in the ABB Group, outside of the UK group

Management Incentive Plan (MIP)

Under the MIP, share warrants or options and warrant appreciation rights (WARs) are offered to key employees for no consideration Each launch of the MIP is approved by the Board of Directors of the ultimate parent company, ABB Ltd

Warrants and options granted under the MIP allow participants to purchase shares of ABB Ltd at predetermined prices Participants may sell the warrants or options rather than exercise the right to purchase shares Equivalent warrants are listed by a third party bank on the SWX Swiss Exchange, which facilitates pricing and transferability of warrants granted under this plan The options entitle the holder to request that a third party bank purchase such options at the market price of equivalent listed warrants related to that MIP launch If the participant elects to sell the warrants or options on the market rather than exercise the right to purchase shares, the instruments may then be held by a non-employee of ABB Ltd Each WAR gives the participant the right to receive, in cash, the market price of a warrant on the date of exercise of the WAR The WARs are non-transferable

Participants may exercise or sell warrants and options and exercise WARs after the vesting period, which is three years from the date of grant Vesting restrictions can be waived in certain circumstances such as death or disability All warrants, options and WARs expire six years from the date of grant As the primary trading market for shares of ABB Ltd is the SWX Swiss Exchange (virt-x), the exercise prices of warrants and options and the trading prices of equivalent warrants listed on the SWX Swiss Exchange are denominated in Swiss francs Accordingly, exercise prices are presented below in Swiss francs

ABB Limited in the UK receives a charge for the costs (the initial fair value of the awards and the administrative costs) of providing the MIP to employees of the UK group If an employee forfeits the awards during the vesting period, ABB Limited in the UK receives a credit note for the charges previously paid If an employee is transferred to/from another country during the vesting period, ABB Limited in the UK receives a credit note/invoice for the respective portion of the initial charge A charge of £661,761 is included in Administration costs in 2012 (2011 £418,270)

27 EMPLOYEE INCENTIVE PLANS *(continued)*

Warrants and Options

Presented below is a summary of the activity related to warrants and options of the company's employees for the years ended 31 December 2012 and 2011

2012	Number of warrants or options	Number of shares (1)	Weighted-average exercise price (in swiss francs) (2) (3)	Weighted-average remaining contractual term (in years) (3)	Aggregate intrinsic value (in thousands of Swiss francs)(4)
Outstanding at 1 January 2012	3,041,910	608,382	25 82		
Granted	1,480,750	296,150	15 75		
Forfeited	-	-	-		
Expired	-	-	-		
Sold	(347,500)	(69,500)	25 54		
Employees transferred in	52,500	10,500	24 07		
Employees transferred out	-	-	-		
Outstanding at 31 December 2012	4,227,660	845,532	22 29	3 7	888
Exercisable at 31 December 2012	1,366,210	273,242	27 76	1 6	-

2011	Number of warrants or options	Number of shares (1)	Weighted-average exercise price (in swiss francs) (2) (3)	Weighted-average remaining contractual term (in years) (3)	Aggregate intrinsic value (in thousands of Swiss francs)(4)
Outstanding at 1 January 2011	2,734,925	546,985	25 99		
Granted	728,200	145,640	25 50		
Forfeited	-	-	-		
Expired	-	-	-		
Sold	(42,670)	(8,534)	26 00		
Employees transferred in	80,000	16,000	24 56		
Employees transferred out	(458,545)	(91,709)	26 09		
Outstanding at 31 December 2011	3,041,910	608,382	25 82	3 7	-
Exercisable at 31 December 2011	951,210	190,242	33 40	2 1	-

(1) Information presented reflects the number of shares of ABB Ltd that warrant holders can receive upon exercise Warrants and options have a conversion ratio of 5 1

(2) Information presented reflects the exercise price per share of ABB Ltd

(3) Information presented is weighted on the number of shares

(4) Computed using the closing price, in Swiss francs, of ABB Ltd shares on the SWX Swiss Exchange (virt-x) and the exercise price per share of ABB Ltd

27. EMPLOYEE INCENTIVE PLANS *(continued)*

The aggregate fair value at date of grant of warrants and options granted in 2012 was CHF 858,835 (2011 CHF 604,406) This is the basis of the charge received by ABB Limited in the UK The range of exercise prices for warrants and options outstanding at 31 December 2012 was CHF 15 75 – CHF 36 40 (2011 CHF19 00 – CHF36 40)

The fair value of each warrant or option is estimated on the date of grant using a lattice model that uses assumptions noted in the table below Expected volatilities are based on implied volatilities from traded warrants and options on ABB Ltd's shares The risk-free rate is based on a six-year Swiss Franc interest rate, reflecting the contractual life of the warrants and options No warrants were granted in 2005

	2012 grant	2011 grant
Expected volatility	27%	26%
Dividend yield	3 68%	2 44%
Expected term	6 years	6 years
Risk-free interest rate	0 31%	1 59%

WARs

Presented below is a summary of WAR activity of the company's employees for the years ended 31 December 2012 and 2011

	2012 Number of WARs	2011 Number of WARs
Outstanding at 1 January	-	62,500
Granted during the year	-	-
Exercised during the year	-	(62,500)
Forfeited during the year	-	-
Expired during the year	-	-
Employee transferred out	-	-
Outstanding at 31 December	-	-
Exercisable at 31 December	-	-

As a WAR gives its holder the right to receive in cash the market price of a warrant, the fair value of a WAR on grant date equals that of a warrant The aggregate fair value at date of grant of WARs granted in 2012 was CHF NIL (2011 CHF NIL)

27. EMPLOYEE INCENTIVE PLANS *(continued)*

Employee Share Acquisition Plan (ESAP)

The ESAP is an employee share option plan with a savings feature Employees save over a twelve-month period, by way of monthly salary deductions At the end of the savings period, employees choose whether to exercise their share options using their savings plus interest to buy ABB Ltd shares at the exercise price set at the grant date, or have their savings returned with interest The savings are accumulated in a bank account held by a third party trustee on behalf of the participants and earn interest Employees can withdraw from the ESAP at any time during the savings period and will be entitled to a refund of their accumulated savings

ABB Limited in the UK receives a charge for the costs of providing ESAP to employees of the UK group The costs approximate the difference between the exercise price and market price of the ABB Ltd share at vesting, as well as administrative costs Charges of £87,523 are included in Administration costs in 2012 (2011 £33,585)

Presented below is a summary of activity under the ESAP during the years ended 31 December 2012 and 2011

2012	Number of shares	Weighted average exercise price (in Swiss francs)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands of Swiss francs) [1]
Outstanding at 1 January 2012	132,410	15 98		
Granted during the year	120,840	17 08		
Forfeited during the year	(7,860)	15 98		
Exercised during the year	(64,655)	15 98		
Not exercised (savings returned plus interest) during the year	(59,895)	15 98		
Outstanding at 31 December 2012	120,840	17 08	0 8	202
Vested and expected to vest at 31 December 2012	120,840	17 08	0 8	202
Exercisable at 31 December 2012	-	-	-	-

27 EMPLOYEE INCENTIVE PLANS *(continued)*

2011	Number of shares	Weighted average exercise price (in Swiss francs)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands of Swiss francs) [1]
Outstanding at 1 January 2011	116,710	20 46		
Granted during the year	132,410	15 98		
Forfeited during the year	(6,970)	20 46		
Exercised during the year	(235)	20 46		
Not exercised (savings returned plus interest) during the year	(109,505)	20 46		
Outstanding at 31 December 2011	132,410	15 98	0 8	225
Vested and expected to vest at 31 December 2011	131,610	15 98	0 8	224
Exercisable at 31 December 2011	-	-	-	-

(1) Computed using the closing price, in Swiss francs, of ABB Ltd shares on the SWX Swiss Exchange (virt-x) and the exercise price of each option in Swiss francs

28. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS8 in that transactions with other wholly owned group companies are not disclosed

The following transactions are not covered by this exemption

The Company has an agreement to provide services to Power Assets Development Company Limited ("PadCo"), a company in which ABB Investments Ltd, a sister company of ABB Limited, has a 25% shareholding Details of the income included in the Profit and Loss account are as follows

	2012 *£'000*	2011 *£'000*
Management fee	290	-
Interest	462	-

At the year end the amounts owed by related parties not covered by the exemption were as follows

	2012 *£'000*	2011 *£'000*
Debtors – PadCo	-	600

The debtor above which represents a loan was fully repaid during the year

29 ULTIMATE HOLDING COMPANY

The immediate parent company is ABB Holdings Limited The ultimate holding company is ABB Ltd, a company incorporated in Switzerland This is the largest group in which ABB Limited is consolidated A copy of the accounts can be obtained from PO Box 8131, CH-8050, Zurich, Switzerland