ABB LIMITED

Reports and Financial Statements

31 December 2013

Registered Number: 3780764

REGISTERED NO. 3780764

DIRECTORS

TJ Gregory
ID Rennie

SECRETARY

D Benn (Resigned 1 March 2014)
VA Mac Lean (Appointed 1 March 2014)

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

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The results for the year are set out on page 9. The profit for the year after taxation amounted to £7,027,000 (2012: £23,862,000).

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:

	2013	**2012**	**Change**
	£m	**£m**	**%**
Turnover from continuing operations	620.4	611.0	1.5%
Operating profit from continuing operations	14.2	30.3	(53.1%)
Shareholders funds	50.4	11.2	350%

The slow recovery of the UK and global economy continued to have some negative impact in 2013. However, a mixture of favourable factors resulted in greater demand across most divisions, producing an increase in revenues of 1.5% 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). 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 of 7.9% in Process Automation. Demand for power infrastructure projects showed a slight slowdown reflecting hesitancy on the part of utility and industrial customers to make big investments given the continued economic and regulatory uncertainty. This was reflected in a slight decrease in revenues year on year in Power Systems and Power Products. Continued recovery and demand for robotic solutions in the automotive industry and demand for energy efficiency products supported a small level of growth in Discrete Automation and Motion.

Although revenues showed a slight increase year on year, profitability fell by 53.2% due to an increase in provisions to cover the expected cost of claims ongoing at the year end.

STRATEGIC REPORT (continued)

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (continued)

Orders received during the year reflected the slight slowdown in demand for power infrastructure projects and despite demand in short-cycle operations remaining consistently strong throughout 2013, demonstrating a return to discretionary capital and operational expenditure across a number of industrial sectors, this resulted in a year end open order book 7% lower than the prior year. However, growth prospects in the mid and longer term are excellent with an increasing need for efficient, reliable electricity transmission and distribution as well as growing demand for automation solutions. The order book, despite the decrease from the previous year, remains strong and this combined with positive demand indicators in both our long and short cycle activities and strong cost and working capital control, provide a positive outlook for continued profitability in the short and medium term.

On 7 November 2013 the company purchased the entire share capital of Thomas and Betts Holdings (UK) from its parent ABB Holdings Limited in exchange for the issue of 58,530,000 ordinary shares of £1.00 each. On the same day the company issued an additional 1,470,000 ordinary shares of £1.00 each to ABB Holdings Limited for cash consideration.

On 1 March 2013 the company acquired the whole of the issued share capital of Ventyx (UK) Ltd for consideration of £3,116,000.

On 1 July 2013 the company acquired the whole of the issued share capital of Dynamotive Ltd for a consideration of £6,862,912. A further £1,000,000 contingent consideration has been accrued

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.

By order of the Board

Victoria MacLean

Victoria Mac Lean
Secretary

Dated 30.9.14

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2013.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and subsequently were:

TJ Gregory
ID Rennie
W McLaughlin (resigned 1 April 2014)

HEALTH AND SAFETY

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

EMPLOYEES

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

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

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

DIVIDENDS

The company did not declare of pay an interim dividend in respect of 2013 (2012 : £nil).

GOING CONCERN

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

DISCLOSURE OF INFORMATION TO THE 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

Victoria MacLean

Victoria Mac Lean
Secretary

Dated 30.9.14

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABB LIMITED

We have audited the financial statements of ABB Limited for the year ended 31 December 2013 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 Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

Birmingham

Date 3 October 2014

PROFIT & LOSS ACCOUNT
for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
TURNOVER			
Continuing operations	2	620,421	610,954
Cost of sales	3	(572,839)	(548,820)
GROSS PROFIT		47,582	62,134
Net operating expenses	3	(33,421)	(31,877)
OPERATING PROFIT FROM CONTINUING OPERATIONS	4	14,161	30,257
Impairment of investments	13	(783)	-
PROFIT BEFORE INTEREST, OTHER FINANCE INCOME AND TAXATION		13,378	30,257
Interest receivable	7	281	575
Interest payable	8	(2,179)	(2,378)
Other finance income	9	7,405	7,210
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,885	35,664
Tax on profit on ordinary activities	10	(11,858)	(11,802)
RETAINED PROFIT FOR THE YEAR	22	7,027	23,862

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2013

		2013	*2012*
	Notes	*£'000*	*£'000*
Profit for the year		7,027	23,862
Actuarial loss recognised in the pension schemes	22	(34,824)	(93,097)
Related deferred tax asset	10	6,965	19,550
Total recognised loss relating to the year		(20,832)	(49,685)

BALANCE SHEET
at 31 December 2013

	Notes	2013 £'000	2012 £'000
FIXED ASSETS			
Intangible assets	11	15,425	23,653
Tangible assets	12	18,676	16,431
Investments	13	79,686	11,160
		113,787	51,244
CURRENT ASSETS			
Stocks	14	56,789	68,144
Debtors : Amounts falling due after one year	15	22,712	20,969
Amounts falling due within one year	15	283,705	240,985
Cash at bank and in hand - restricted	16	10,989	12,593
- other		2,525	2,936
		376,720	345,627
CREDITORS: amounts falling due within one year	17	(206,617)	(218,005)
NET CURRENT ASSETS		170,103	127,622
TOTAL ASSETS LESS CURRENT LIABILITIES		283,890	178,866
CREDITORS: amounts falling due after more than one year	18	(109,874)	(76,490)
PROVISIONS FOR LIABILITIES	19	(36,897)	(19,027)
NET ASSETS EXCLUDING PENSION LIABILITY		137,119	83,349
Net pension liability	25	(86,763)	(72,161)
NET ASSETS		50,356	11,188
CAPITAL AND RESERVES			
Called up share capital	21	120,000	60,000
Profit and loss account	22	(69,644)	(48,812)
EQUITY SHAREHOLDER'S FUNDS	22	50,356	11,188

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

Trevor Gregory

Trevor Gregory
Director

Date 30.9.2014

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 Tuesday 30 September 2014.

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 a 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.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses on the balance sheet. On disposal of investments in subsidiaries the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

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

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 26. 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	
	2013	*2012*
	£'000	*£'000*
Turnover		
Process Automation	223,383	206,963
Low Voltage Products	48,021	48,938
Discrete Automation & Motion	129,380	127,849
Power Systems	145,374	147,204
Power Products	73,771	79,644
Other non trading divisions	492	356
Total	620,421	610,954
Profit / (Loss) Before Taxation		
Process Automation	21,334	15,567
Low Voltage Products	(1,256)	643
Discrete Automation & Motion	10,949	10,313
Power Systems	4,701	10,359
Power Products	(239)	1,029
Other non trading divisions	(21,328)	(7,654)
Total operating profit	14,161	30,257
Impairment of investments	(783)	-
Net interest	(1,898)	(1,803)
Other financial income	7,405	7,210
Profit on ordinary activities before taxation	18,885	35,664
Net Assets / (Liabilities)		
Process Automation	115,941	97,376
Low Voltage Products	(1,653)	400
Discrete Automation & Motion	53,630	41,789
Power Systems	68,460	63,620
Power Products	3,640	3,867
Other non trading divisions	(189,662)	(195,864)
Total	50,356	11,188

2. TURNOVER AND SEGMENTAL ANALYSIS *(continued)*

Geographical Market

	Continuing Operations 2013 £000	Continuing Operations 2012 £000
Turnover		
UK	500,244	508,103
Europe	73,485	51,923
Rest of the world	46,692	50,928
Total	620,421	610,954
Profit Before Taxation		
UK	7,815	24,858
Europe	3,880	2,726
Rest of the world	2,466	2,673
Total operating profit	14,161	30,257
Impairment of investments	(783)	-
Net interest	(1,898)	(1,803)
Other finance income	7,405	7,210
Profit on ordinary activities before taxation	18,885	35,664

Net assets held outside the UK are not material.

3. COST OF SALES AND NET OPERATING EXPENSES

	Continuing Operations 2013 £'000	Continuing Operations 2012 £'000
COST OF SALES	572,839	548,820
Distribution expenses	3,750	3,146
Administration costs	29,702	28,395
Other operating expense	(31)	336
NET OPERATING EXPENSES	33,421	31,877

4. OPERATING PROFIT

This is stated after charging :

		2013	2012
		£'000	£'000
Auditor's remuneration	- for audit services	380	397
	- for non-audit services	15	70
Research and Development expenditure written off		5,146	5,236
Depreciation	- tangible fixed assets	1,625	1,255
	- leased assets	463	432
Amortisation	- goodwill	7,471	7,557
	- capitalised software	1,445	1,900
Operating lease rentals			
	- plant and machinery	4,909	4,561
	- land and buildings	2,074	2,523

Auditors remuneration for non-audit services comprises taxation and other assurance services.

5. STAFF COSTS

	2013 £'000	2012 £'000
Wages and salaries	99,597	91,963
Social security costs	11,908	10,023
Other pension costs	13,585	11,947
	125,090	113,933

	2013 £'000	2012 £'000
Other pension costs comprise		
Defined benefit schemes		
Service cost (Note 25)	9,549	8,477
Total defined benefit scheme cost	9,549	8,477
Defined contribution schemes	4,036	3,470
	13,585	11,947

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

	2013 No	2012 No
Research and Development	43	47
Manufacturing and Installation Business	381	462
Engineering	898	824
Sales, Marketing, Consulting and Office Management	717	666
	2,039	1,999

6. DIRECTORS REMUNERATION

	2013 £'000	2012 £'000
Emoluments (excluding pension contributions)	1,068	960
Amounts receivable under long term incentive plans	-	-
Pension contributions	25	104

One director (2012 : three) was a member of the company's defined benefit pension scheme.
None of the directors participate in defined contribution schemes.
Two directors (2012: nil) exercised share options

	2013 £'000	2012 £'000
Highest paid director :		
Emoluments (excluding pension contributions)	472	424
Accumulated accrued defined benefit pension at year end	88	86

The highest paid director also received shares under the group's long term incentive scheme.

7. INTEREST RECEIVABLE

	2013 £'000	2012 £'000
Group interest receivable	190	34
Bank deposit interest	91	79
Other deposits	-	462
	281	575

8. INTEREST PAYABLE

	2013 £'000	2012 £'000
Group interest payable	1,741	1,930
Finance charges under finance leases and HP contracts	438	440
Other interest payable	-	8
	2,179	2,378

9. OTHER FINANCE INCOME

	2013 £'000	2012 £'000
Expected return on pension scheme assets (Note 25)	47,847	43,875
Interest on pension scheme liabilities (Note 25)	(40,442)	(36,665)
	7,405	7,210

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax	(306)	243
Overseas tax	432	249
	126	492
Deferred tax:		
Origination and reversal of timing differences	(1,646)	(12,516)
Impact of reduction in rate of taxation	6,413	4,276
Total deferred tax	4,767	(8,240)
Taxation charge / (credit)	4,893	(7,748)

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

	2013 £'000	2012 £'000
Profit and loss account		
Tax on ordinary activities	8,256	9,388
Impact of reduction in rate of taxation	3,602	2,414
	11,858	11,802
Statement of total recognised gains and losses		
Deferred tax asset on loss recognised in the pension schemes	(9,776)	(21,412)
Impact of reduction in rate of taxation	2,811	1,862
	(6,965)	(19,550)
	4,893	(7,748)

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 23.25% (2012: 24.5%). The differences are reconciled below:

	2013	*2012*
	£'000	*£'000*
Profit on ordinary activities before tax	18,885	35,664
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	4,391	8,738
Expenses not deductible for tax purposes	271	241
Impairment and amortisation of goodwill not deductible for tax	1,908	2,305
Loss on disposal of fixed assets not allowable	76	40
Utilisation of tax losses brought forward	(474)	(2,586)
Shortfall / (Excess) of capital allowances over depreciation	43	(229)
Movement on provisions not allowable (not taxable)	-	(431)
Timing differences related to pensions liability	(6,020)	(7,717)
R&D tax credits	(35)	(159)
Withholding taxes written off net of tax relief claimed	332	188
Tax (overprovided) / underprovided in previous years	(366)	102
Total current tax	126	492

The company has tax trading losses arising and carried forward in the UK of £109,376,000 (2012: £111,185,000) 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 £29,772,225 (2012: £31,328,612) 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 £3,335,000 (2012: £2,223,000) relating to decelerated capital allowances, and of £850,000 (2012: £850,000) relating to other timing differences. Deferred tax assets have been fully recognised in respect of the above noted tax trading losses and other timing differences as there is sufficient evidence available to support the future recoverability of these assets. A deferred tax asset has not been recognised in respect of the above noted capital losses.

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

The deferred tax assets recognised at 31 December 2013 are as follows :

	2013	*2012*
	£'000	*£'000*
Pension deficit (Note 25)	21,691	21,554
Special pensions contribution	-	1,336
Tax losses	21,875	25,573
Decelerated capital allowances	667	511
Other timing differences	170	196
	44,403	49,170

This total deferred tax asset recognised of £44,403,000 (2012: £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 2013	27,616	21,554	49,170
Movement in the year - P&L	(4,904)	(6,828)	(11,732)
Movement in the year – STRGL	-	6,965	6,965
Carried forward at 31 December 2013	22,712	21,691	44,403

In his budget of 20 March 2013, the Chancellor of the Exchequer proposed decreases in the rate of the UK corporation taxation from 24% to 20%, falling by 1% in 2013, 2% in 2014 and 1% in 2015 to reach a rate of 20% effective 1 April 2015. The further reduction to 21% and 20% were both enacted on 17 July 2013 and, in accordance with accounting standards, this has been reflected in the recognised deferred taxation asset disclosure above.

Deferred tax assets have been calculated at 20% as this is the rate expected to apply when these crystallise based on current and enacted tax rates and law.

11. INTANGIBLE FIXED ASSETS

	Goodwill	*Capitalised software*	*Total*
	£'000	*£'000*	*£'000*
Cost:			
At 1 January 2013	132,222	10,784	143,006
Reclassification	-	65	65
Additions	-	623	623
Disposals	-	(7)	(7)
At 31 December 2013	132,222	11,465	143,687
Depreciation:			
At 1 January 2013	110,046	9,307	119,353
Charged during the year	7,471	1,445	8,916
Disposals	-	(7)	(7)
At 31 December 2013	117,517	10,745	128,262
Net book value at 31 December 2013	14,705	720	15,425
Net book value at 31 December 2012	22,176	1,477	23,653

12. TANGIBLE FIXED ASSETS

	Land and Buildings	*Machinery, Equipment and Vehicles*	*Total*
	£'000	*£'000*	*£'000*
Cost:			
At 1 January 2013	17,994	29,632	47,626
Reclassifications	(838)	773	(65)
Additions	121	4,653	4,774
Disposals	(360)	(4,884)	(5,244)
At 31 December 2013	16,917	30,174	47,091
Depreciation:			
At 1 January 2013	7,180	24,016	31,196
Charged during the year	333	1,755	2,088
Disposals	(50)	(4,819)	(4,869)
At 31 December 2013	7,463	20,952	28,415
Net Book Value at 31 December 2013	9,454	9,222	18,676
Net Book Value at 31 December 2012	10,814	5,616	16,430

12. TANGIBLE FIXED ASSETS *(continued)*

The net book value of land & buildings consisted of:

	2013	*2012*
	£'000	*£'000*
Freehold	8,902	9,858
Long Leasehold	379	956
Short Leasehold	173	-
	9,454	10,814

The net book value of fixed assets includes an amount of £1,029,000 (2012: £950,000) in respect of assets held under finance leases. The cost of land is £3,857,549 (2012: £3,857,549).

13. INVESTMENTS

	Other Investments £'000
Cost:	
At 1 January 2013	11,223
Revaluation	(199)
Additions	69,509
Disposals	(1)
At 31 December 2013	80,532
Amounts provided :	
At 1 January 2013	63
Impairment in year	783
At 31 December 2013	846
Net book value at 31 December 2013	79,686
Net book value at 31 December 2012	11,160

On 1 March 2013 the company acquired the whole of the issued share capital of Ventyx (UK) Ltd for consideration of £3,116,000.

On 1 July 2013 the company acquired the whole of the issued share capital of Dynamotive Ltd for a consideration of £6,862,912. A further £1,000,000 contingent consideration has been accrued

On 7 November 2013 the company acquired the whole of the issued share capital of Thomas & Betts Holdings (UK) for a consideration of £58,530,448.

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
Ventyx (UK) Ltd	UK	100%	Marketing and servicing of software for the Ventyx Group
Dynamotive Limited	UK	100%	Installation and service of drives and motors systems
Thomas & Betts Holdings (UK)	UK	100%	Manufacture and supply of low voltage products

14. STOCKS

	2013	*2012*
	£'000	*£'000*
Raw materials and consumables	5,908	7,063
Work in progress	40,319	46,491
Finished goods	10,562	14,590
	56,789	68,144
Work in progress:		
Net costs less foreseeable losses	50,991	83,779
Applicable payments on account	(10,672)	(37,288)
	40,319	46,491

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

15. DEBTORS

	2013 £'000	2012 £'000
Amounts falling due within one year		
Trade debtors	81,431	81,853
Amounts owed by group undertakings	166,490	113,456
Other debtors	11,549	18,829
Prepayments	2,268	1,843
Amounts recoverable on contracts	21,649	18,357
Deferred tax (Note 10)	-	6,647
Corporation tax receivable	318	-
	283,705	240,985
Amounts falling due after one year		
Deferred tax (Note 10)	22,712	20,969

16 RESTRICTED CASH

	2013 £'000	2012 £'000
Restricted cash	10,989	12,593

The company holds £10,989,159 (2012: £12,592,914) in a restricted bank account set aside for meeting its future obligations under finance and non cancellable operating leases. This was required prior to the payment of a dividend during 2011, as part of the Court Order approving the capital reduction referred to in note 22.

17. CREDITORS: *amounts falling due within one year*

	2013	*2012*
	£'000	*£'000*
Amounts owed under finance leases (Note 20)	434	367
Trade creditors	7,260	7,657
Customer advances	63,218	62,268
Amounts owed to group undertakings	67,887	67,886
Corporation tax	-	263
Other taxes and social security costs	16,864	26,580
Other creditors	564	1,802
Accruals	50,390	51,182
	206,617	218,005

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

	2013	*2012*
	£'000	*£'000*
Amounts owed under finance leases	1,302	1,358
Amounts owed to group undertakings (Note 20)	107,572	75,132
Accruals	1,000	-
	109,874	76,490

The amounts owed to group undertakings includes the amount drawn down in the year against an £80 million (2012: £80million) term facility provided to the company. The facility expires on 26 November 2017 and attracts interest at a variable rate based on LIBOR 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 2013	4,342	7,333	7,352	19,027
Charged to the P&L account during the year	800	1,442	22,050	24,292
Utilised during the year	(1,168)	(1,774)	(3,480)	(6,422)
Provisions at 31 December 2013	3,974	7,001	25,922	36,897

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 £1,134,000 (2012: £1,515,000) has been discounted at a rate of 4.5% over 3 years.

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:

	2013	*2012*
	£'000	*£'000*
Amounts payable		
Within one year	434	367
Within two to five years	614	656
In over five years	688	702
	1,736	1,725

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

	Land and buildings		*Other*	
	2013	*2012*	*2013*	*2012*
	£'000	*£'000*	*£'000*	*£'000*
Operating leases which expire				
Within one year	183	246	102	347
Within two to five years	2,567	359	3,740	2,476
In over five years	841	1,269	-	-
	3,591	1,874	3,842	2,823

21. SHARE CAPITAL

Ordinary shares of £1 each

	2013	*2012*	*2013*	*2012*
	No.	*No.*	*£'000*	*£'000*
Authorised	140,000,000	140,000,000	140,000	140,000
Allotted and fully paid	120,000,000	60,000,000	120,000	60,000

On 7 November 2013, the company issued 60,000,000 ordinary shares of £1 each at par to the sole shareholder, ABB Holdings Limited to fund the acquisition of Thomas & Betts Holdings (UK).

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 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 1 January 2013	60,000	(48,812)	11,188
Additional Share Capital	60,000	-	60,000
Actuarial loss on pension schemes	-	(34,824)	(34,824)
Related deferred tax asset	-	6,965	6,965
Profit for the financial year	-	7,027	7,027
At 31 December 2013	120,000	(69,644)	50,356

On 18 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. CAPITAL AND FINANCIAL COMMITMENTS

At 31 December 2013 there were £282,617 (2012: £917,000) capital commitments contracted for but not provided.

At 31 December 2013 the company had entered into commitments to sell foreign currencies in future months amounting to £17,851,072 (2012: £21,834,516). The fair value of the forward contracts held at the balance sheet date, determined by reference to their market values, is £1,476,481 (2012: £302,000).

24. CONTINGENT LIABILITIES

At 31 December 2013 there were no outstanding contingent liabilities in respect of the company (2012: £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 2013, these guarantees amounted to £22,726,851 (2012: £20,832,378).

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.

Contingent consideration

A further £1,000,000 consideration will be payable by the company on 1 June 2016 in respect of the acquisition of the whole of the issued share capital of Dynamotive Ltd if employment conditions detailed in the purchase agreement are met. An accrual has been made for this consideration as of 31 December 2013.

25. 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 2013 by qualified independent actuaries.

The estimated actuarial valuation at 31 December 2013 showed a deficit of £106,866,000 (2012: deficit £91,382,000). The service cost has been calculated using the projected unit method. The employer contributed an average of 17% (2012: 17%) of members' pensionable salaries plus an additional lump sum of £15 million (2012: £15 million) during the year.

The major assumptions used for FRS17 purposes were as follows:

	At 31 December 2013	*At 31 December 2012*	*At 31 December 2011*	*At 31 December 2010*
Rate of increase in salaries	4.5%	4.00%	4.00%	4.00%
Rate of increase in deferred pensions	2,.25%	2.25%	2.25%	2.75%
Rate of increase in pensions in payment	3.00%	3.15%	3.15%	3.15%
Discount rate	4.65%	4.55%	4.85%	5.45%
Inflation assumption	3.25%	3.25%	3.25%	3.25%
Expected long term return on plan assets	5.00%	6.00%	6.50%	6.50%

25. PENSIONS *(continued)*

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

	At 31 December 2013 £'000	*At 31 December 2012 £'000*	At 31 December 2011 £'000	At 31 December 2010 £'000
Equities	327,514	235,496	188,372	265,582
Bonds	483,991	528,487	529,913	407,040
Others	44,964	46,953	30,708	20,803
Total market value of assets	856,469	810,936	748,993	693,425
Present value of scheme liabilities	(963,335)	(902,318)	(768,210)	(673,181)
(Deficit) / surplus in the schemes	(106,866)	(91,382)	(19,217)	20,244
Related deferred tax (liability) / asset	21,691	21,554	5,405	(4,461)
Amount not recognised	(1,588)	(2,333)	(2,403)	(3,721)
Net pension (liability) / asset	(86,763)	(72,161)	(16,215)	12,062

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 2013 and 2012 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 £1,588,000 (2012: £2,333,0000).

25. PENSIONS *(continued)*

Analysis of the components of the defined benefit cost.

	2013	*2012*
	£'000	*£'000*
Recognised in the profit and loss account		
Current service cost	9,549	8,477
Recognised in arriving at operating profit	9,549	8,477
Expected return on pension scheme assets	(47,847)	(43,875)
Interest on pension scheme liabilities	40,442	36,665
Other finance income	(7,405)	(7,210)
Total recognised in the profit and loss account	2,144	1,267
Taken to the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	(3,421)	(18,084)
Experience loss arising on scheme liabilities	(3,787)	13,578
Amount not recognised	(745)	(387)
Loss arising from changes in assumptions underlying the present value of scheme liabilities	42,777	97,990
Actuarial losses recognised in the statement of total recognised gains and losses	34,824	93,097

Analysis of movements in the deficit during the year

	2013	*2012*
	£'000	*£'000*
At 1 January	(93,715)	(21,620)
Total operating charge	(9,549)	(8,477)
Total other finance income	7,405	7,210
Actuarial loss	(34,824)	(93,097)
Contributions	22,229	22,269
At 31 December	(108,454)	(93,715)

25. PENSIONS *(continued)*

History of experience gains and losses :

	2013	*2012*	*2011*	*2010*	*2009*
Gain between actual return and expected return on pension scheme assets					
- amount (£000)	(3,421)	(18,084)	(4,179)	(22,645)	(46,172)
- % of scheme assets	-0.4%	-2.2%	-0.6%	- 3.2%	-7.7%
Experience losses / (gains) arising on scheme liabilities					
- amount (£000)	(3,787)	13,578	7,370	(9,961)	(30,406)
- % of the present value of the scheme liabilities	-0.4%	1.5%	1.0%	1.4%	-4.7%
Changes in assumptions underlying the present value of the scheme liabilities					
- amount (£'000)	42,777	97,990	67,026	12,810	82,356
- % of the present value of scheme liabilities	4.4%	10.9%	8.7%	1.9%	12.7%
Total actuarial losses / (gains) recognised in the statement of total recognised gains and losses					
- amount (£000)	(34,824)	'93,097	68,509	(16,075)	5,778
- % of the present value of scheme liabilities	3.6%	10.3%	8.9%	-2.4%	0.9%
(Deficit) / Surplus					
Actuarial value of plan liabilities	(963,335)	(902,318)	(768,210)	(673,181)	(647,139)
Fair value of assets	856,469	810,936	748,993	693,425	598,360
Amount not recognised	(1,588)	(2,333)	(2,403)	(3,721)	-
(Deficit) / Surplus in plan	(108,454)	(93,715)	(21,620)	16,523	(48,779)

25. PENSIONS *(continued)*

	2013	*2012*
	£'000	*£'000*
Change in Plan assets		
Fair value of assets at the start of the period	810,936	748,993
Expected return on assets	47,847	43,875
Actuarial gain	3,421	18,401
Employer contributions	22,229	22,269
Plan participants contributions	1,702	2,584
Benefits paid	(29,666)	(25,186)
Fair value of assets at the end of the period	856,469	810,936

	2013	*2012*
	£'000	*£'000*
Change in actuarial value of Plan liabilities		
Plan liabilities at the start of the period	902,318	768,210
Employer service cost	9,549	8,477
Interest cost	40,442	36,665
Plan participants contributions	1,702	2,584
Actuarial loss	38,990	111,568
Benefits paid from plan assets	(29,666)	(25,186)
Plan liabilities at the end of the period	963,335	902,318

26. 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 £645,094 is included in administration costs in 2013 (2012: £661,761).

26. 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 2013 and 2012:

2013	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 2013	4,227,660	845,532	22.29		
Granted	1,560,750	312,150	21.50		
Forfeited	-	-	-		
Expired	(273,950)	(54,790)	26.00		
Sold	(790,000)	(158,000)	20.94		
Employees transferred in	-	-	-		
Employees transferred out	(311,250)	(62,250)	18.54		
Outstanding at 31 December 2013	4,413,210	882,642	22.29	3.8	2,793
Exercisable at 31 December 2013	1,012,260	202,452	29.86	1.1	199

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	-

(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.

26. EMPLOYEE INCENTIVE PLANS *(continued)*

The aggregate fair value at date of grant of warrants and options granted in 2013 was CHF 1,030,095 (2012: CHF 858,835). 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 2013 was CHF 15.75 – CHF 36.40 (2012: CHF 15.75 – CHF 36.40).

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.

	2013 grant	2012 grant
Expected volatility	21%	27%
Dividend yield	2.9%	3.68%
Expected term	6 years	6 years
Risk-free interest rate	0.57%	0.31%

WARs

Presented below is a summary of WAR activity of the company's employees for the years ended 31 December 2013 and 2012:

	2013 Number of WARs	2012 Number of WARs
Outstanding at 1 January	-	-
Granted during the year	-	-
Exercised during the year	-	-
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 2013 was CHF: nil (2012: CHF nil).

26. 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 £417,006 are included in administration costs in 2013 (2012: £87,523).

Presented below is a summary of activity under the ESAP during the years ended 31 December 2013 and 2012:

2013	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 2013	120,840	17.08		
Granted during the year	112,830	22.90		
Forfeited during the year	(9,180)	17.08		
Exercised during the year	(77,430)	17.08		
Not exercised (savings returned plus interest) during the year	(34,230)	17.08		
Outstanding at 31 December 2013	112,830	22.90	0.8	65
Vested and expected to vest at 31 December 2013	112,830	22.90	0.8	65
Exercisable at 31 December 2013	-	-	-	-

26. EMPLOYEE INCENTIVE PLANS *(continued)*

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	-	-	-	-

(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.

27. 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.

	2013 *£'000*	2012 *£'000*
Management fee	-	290
Interest	-	462

28. ULTIMATE HOLDING COMPANY

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