

101069/2

101069/20

In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

OS AA01

Statement of details of parent law and other information for an overseas company



Companies House



A6LPYQLC

A04 21/12/2017 #29

COMPANIES HOUSE

A6KSG8N5

A15 07/12/2017 #321

COMPANIES HOUSE

☒ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

☐ **What this form is NOT for**
You cannot use this form to accompany an alteration of manner of accounting requirements.

THURSDAY

Part 1 Corporate company name

Corporate name of overseas company ①

ABB LIMITED

UK establishment number

B R 0 0 8 7 7 1

→ Filling in this form

Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

① This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ②

COMPANIES (AUDITING AND ACCOUNTING) ACT 2014

② This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☒ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**.

③ Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ③

ASB ACCOUNTING STANDARDS BOARD

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5**.

☒ **Yes.** Go to **Section A4**.

OS AA01

Statement of details of parent law and other information for an overseas company

A4

Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> No. Go to Part 3 'Signature' . <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature' .	1 Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body 1	ASB ACCOUNTING STANDARDS BOARD	

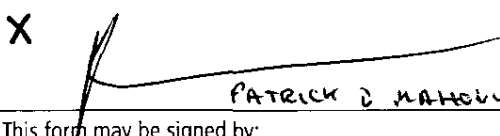
A5

Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. <input type="checkbox"/> No. <input checked="" type="checkbox"/> Yes.
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Part 3

Signature

I am signing this form on behalf of the overseas company.	
Signature	<div style="text-align: center;"> PATRICK J MAHON SECRETARY This form may be signed by: Director, Secretary, Permanent representative.</div>

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

Address

Post town

County/Region

Postcode

Country

DX

Telephone



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



Important information

Please note that all this information will appear on the public record.



Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

101069/20

ABB Limited

Directors' report and Financial Statements for the year ended
31 December 2016

REGISTERED NUMBER: 265676

ABB IRELAND LIMITED

BR 008771
FC 026748
(IRELAND)



A04

21/12/2017
COMPANIES HOUSE

#30

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2016

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COMPANY INFORMATION**for the year ended 31 December 2016****DIRECTORS**

F Duggan
L.M. Andersson
I G. Funnell

ALTERNATE DIRECTORS

P. O'Mahony

SECRETARY

P. O'Mahony

REGISTERED NUMBER

265676

REGISTERED OFFICE

Belgard Road,
Tallaght,
Dublin 24

SOLICITORS

Arthur Cox,
Earlsfort Centre,
Earlsfort Terrace,
Dublin 2.

BANKERS

HSBC Bank plc,
1 Grand Canal Square,
Grand Canal Harbour,
Dublin 2.

AUDITORS

Ernst & Young,
Chartered Accountants,
The Atrium,
Maritana Gate,
Canada Street,
Waterford

DIRECTORS' REPORT
for the year ended 31 December 2016

The Directors present their report and audited Financial Statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE BUSINESS DURING THE YEAR

The Company is a member of the ABB Group and was owned by ABB Asea Brown Boveri Ltd, a company registered in Switzerland, until 28 July 2015, when it was transferred to the ownership of ABB Holdings Limited, a company incorporated in the United Kingdom. The ultimate parent remains unchanged.

The principal activities of the Company in the year were the supply of power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact.

Operating profit from continuing operations increased by €4,211,000 to €11,466,000 (2015: €7,255,000). The movement in EBITDA (Earnings before interest, taxation, depreciation and amortisation) is discussed in the Finance Performance Indicators Section below

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 DECEMBER 2016

The profit and loss account for the year ended 31 December 2016 and the balance sheet at that date are set out on pages 10 and 12 respectively. The profit on ordinary activities for the year before taxation amounted to €10,237,000 compared with €6,899,000 in the previous year. Profit on activities after taxation was €8,901,000 (2015: €5,818,000). The increase in profit on ordinary activities after taxation for 2016 as compared to 2015 was €3,083,000

FINANCIAL PERFORMANCE INDICATORS

The Company's key measures of financial performance are revenue growth, EBITDA (earnings before interest, taxation, depreciation and amortization) and profit on ordinary activities after taxation

REVENUE GROWTH

The Company's revenue from continuing operations was €117,244,000 (2015: €96,859,000). The increase in revenue from continuing operations during 2016 compared to 2015 was €20,385,000 or 21.05% due to the timing of revenues recognised on large projects during the year.

EBITDA

Earnings before interest, taxation, depreciation and amortisation was €11,892,000 (2015: €7,663,000). The increase in EBITDA in 2016 is due to the timing of revenues recognised on large projects in the year

DIRECTORS' REPORT (continued)
for the year ended 31 December 2016**PRINCIPAL RISKS AND UNCERTAINTIES**

Under Irish Company Law, the Company is required to give a description of the principal risks and uncertainties which it faces. These principal risks are set out hereunder:

- Significant changes in the market place in which the business operates;
- Loss of our key management and other personnel;
- Our business is affected by the economic climate; and
- We are subject to environmental laws and regulations.

The Company has insurances, business policies and organisational structures to limit these risks and the Board of Directors regularly review, re-assess and proactively limit these risks.

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.

FUTURE DEVELOPMENTS

The Directors intend to continue to develop the current activities of the Company with a view to increasing future profitability, and consider that they are well placed within the market to meet these challenges, and continue to do so in the subsequent financial year.

DIVIDENDS

The Company paid an interim dividend of €17,670,000 (2015: €NIL). The Directors do not propose a final dividend.

EMPLOYEE MATTERS

The Company continues to consider health and safety to be one of our highest priorities and a fundamental element of being a successful business. We are committed to achieving the highest reasonable practical standards of health, safety and welfare for our employees, contractors, customers and visitors. The Company actively engages with local government agencies, trade associations and other similar bodies to promote the benefits of a safe and healthy working environment.

**DIRECTORS' REPORT (continued)
for the year ended 31 December 2016****THE ENVIRONMENT**

Environmental management is one of the Company's highest business priorities and the Company continues to strive to improve its social and environmental performance continually. The Company's social and environmental efforts include:

- Fostering initiatives for economic, environmental, social and educational development;
- Offering customers eco-efficient products that save energy and are safe to use, that optimise the use of natural resources, minimise waste and reduce environmental impact over their complete life cycles; and
- Ensuring that the operations and processes comply with applicable environmental standards and legislation

DIRECTORS

The directors who served the Company during the year and subsequently are as follows:

T O'Reilly	Resigned 1 July 2017
F Duggan	Appointed 3 July 2017
L M Andersson (Finnish)	
I G Funnell (British)	
P O'Mahony	

IMPORTANT EVENTS SINCE THE YEAR END

There have been no important events affecting the Company since the year end

ACCOUNTING RECORDS

The measures that the Directors have taken to ensure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the Company's employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems.

These accounting records are maintained at the Company's principal place of business which is located at Belgard Road, Tallaght, Dublin 24

The ultimate controlling party of the Company is ABB Limited. The beneficial interests, including the interests of spouses and minor children, of the Directors and secretary in office at 31 December 2016 in the share capital of the Company and the parent company, ABB Limited, are not disclosed in accordance with Section 260 of the Companies Act 2014.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

DIRECTORS' REPORT (continued)
for the year ended 31 December 2016

RESEARCH AND DEVELOPMENT

Research and development work is concentrated in the area of Quality Control Systems for the pulp and paper industry

FINANCIAL INSTRUMENTS

The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

DIRECTORS' COMPLIANCE STATEMENT

As required by section 225 of the Companies Act 2014 of Ireland, the Directors acknowledge that they are responsible for securing the Company's compliance with its 'relevant obligations' (as defined in that legislation). The Directors further confirm that a compliance policy statement exists and that appropriate arrangements and structures are in place that are, in the Director's opinion, designed to secure material compliance with the relevant obligations. A review of these arrangements and structures has been conducted in the financial year to which this report relates

DIRECTORS' REPORT (continued)
for the year ended 31 December 2016**STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with Irish law and regulations.

Irish 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 accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants Ireland, including FRS101 *Reduced Disclosure Framework* (Generally Accepted Accounting Practice in Ireland). 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 assets, liabilities and financial position of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these Financial Statements, the Directors are required to:


- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards, and
- 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 ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the Financial Statements and directors' report comply with the Companies Act 2014 and enable the Financial Statements to be audited. 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.

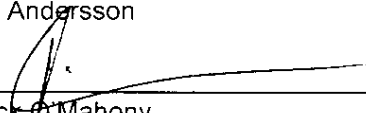
AUDITORS

The auditors, Ernst & Young, Chartered Accountants and Statutory Audit Firm, will continue in office in accordance with Section 383(2) of the Companies Act, 2014

On behalf of the Directors



Lena Andersson Director



Patrick O'Mahony Director

Date 23/11/2017



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABB LIMITED

We have audited the Financial Statements of ABB Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, Statement of Comprehensive Income, the Balance sheet, the Statement of Changes in Equity, and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS101 "Reduced Disclosure Framework".

This report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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 auditors' 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 Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. 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 Directors' Report 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2014.



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

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Financial Statements to be readily and properly audited.
- The Financial Statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' report is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of sections 305 to 312 of the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Anne O'Leary
for and on behalf of Ernst & Young
Chartered Accountants and Statutory Audit Firm
Waterford

Date

29 March 2017

ABB Limited**Registered No: 265676****PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2016**

	<i>Note</i>	<i>2016 €'000</i>	<i>2015 €'000</i>
Turnover			
Continuing operations	3	117,244	96,859
Raw materials and consumables		(90,047)	(72,413)
Gross Profit		27,197	24,446
Staff costs	4	(14,533)	(14,386)
Depreciation	9	(426)	(408)
Other operating charges		(772)	(2,397)
Operating profit		11,466	7,255
Restructuring costs		(880)	-
Profit on ordinary activities before interest	6	10,586	7,255
Interest receivable and similar income		2	1
Interest payable		(7)	(2)
Other finance expense	5	(344)	(355)
Profit on ordinary activities before taxation	6	10,237	6,899
Tax charge on profit on ordinary activities	7	(1,336)	(1,081)
Profit for the financial year		8,901	5,818

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Profit for the year		8,901	5,818
Other comprehensive income :			
Items that cannot be reclassified to profit or loss :			
Remeasurement (losses) / gains on defined benefit pension schemes	20	(802)	626
Related deferred tax asset / (liability)		<u>100</u>	<u>(79)</u>
		<u>(702)</u>	<u>547</u>
Total comprehensive income for the year		<u>8,199</u>	<u>6,365</u>

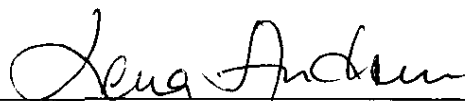
BALANCE SHEET
at 31 December 2016

	Note	2016 €'000	2015 €'000
FIXED ASSETS			
Tangible assets	9	4,248	5,122
Investments	10	-	2
		<u>4,248</u>	<u>5,124</u>
CURRENT ASSETS			
Stocks	11	4,850	7,497
Debtors	12	55,263	59,081
Cash at bank and in hand		948	672
		<u>61,061</u>	<u>67,250</u>
CREDITORS			
Amounts falling due within one year	14	<u>(32,596)</u>	<u>(31,001)</u>
NET CURRENT ASSETS		<u>28,465</u>	<u>36,249</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		32,713	41,373
CREDITORS : Amounts falling due after more than one year	18	(15)	(31)
PENSION LIABILITIES	20	(16,317)	(15,633)
PROVISIONS	16	(6,605)	(6,462)
NET ASSETS		<u>9,776</u>	<u>19,247</u>
FINANCED BY			
CAPITAL AND RESERVES			
Called up share capital	17	635	635
Profit and loss account		<u>9,141</u>	<u>18,612</u>
Shareholders' funds		<u>9,776</u>	<u>19,247</u>

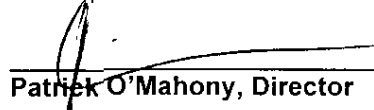
Approved by the Board on
by

23 November

2017 and signed on its behalf



Lena Andersson, Director



Patrick O'Mahony, Director

Date: 23/11/2017

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Note	Share Capital €'000	Retained earnings €'000	Total Equity €'000
At 1 January 2015		635	12,247	12,882
Profit for the financial year		-	5,818	5,818
Other Comprehensive income		-	547	547
Total Comprehensive income		-	6,365	6,365
For the year				
Equity Dividends paid	8	-	-	-
At 31 December 2015		635	18,612	19,247
Profit for the financial year		-	8,901	8,901
Other Comprehensive income		-	(702)	(702)
Total comprehensive income for the year			8,199	8,199
Equity Dividends paid	8	-	(17,670)	(17,670)
At 31 December 2016		635	9,141	9,776

NOTES TO THE FINANCIAL STATEMENTS**31 December 2016****1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS101**

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101 (Reduced Disclosure Framework (FRS101)) and in accordance with applicable Irish accounting standards and Companies Act 2014.

The Company's Financial Statements are presented in Euros and all values are rounded to the nearest thousand Euros (€000) except when otherwise indicated

The Financial Statements were approved for issue by the Board of Directors on **13 November 2017**.

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

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101, as the results are included in the accounts of ABB Ltd, the parent company.

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of IFRS 7 Financial Instruments. Disclosures;
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- (e) the requirements of paragraphs 10(d), 10(f), 16, 38(A), 38(B), 38(C), 38(D), 40(A) – 40(D) 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (h) the requirements of IAS 24 Related Party Disclosures,
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets,

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 (*continued*)**2. ACCOUNTING POLICIES (continued)****2.2 Judgements and key sources of estimation uncertainty**

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

This does not mean that every accounting judgement should be disclosed. However, disclosure would be appropriate in cases where the accounting outcome is materially different dependent on the judgement taken.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the Financial Statements:

(a) Pensions and other employment benefits

The cost of defined benefit pensions plans and other post employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 20.

(b) Construction Contracts

Construction contract arrangements are accounted for in accordance with IAS 11. This requires judgements to estimate future expected costs to be incurred. Further details on construction contracts are disclosed in the Company's accounting policies and also in note 13.

The judgements and estimates regarding recognized revenue margin are based on estimates of total expected contract revenue and costs, which are subject to revision as the contract progresses. Total expected revenue and costs on a contract reflect management's best estimate of the probable future benefits and obligations associated with the contract.

Whilst the Company makes and regularly reviews assumptions relating to the contract performance, there is the risk that actual outcomes against these assumptions may differ over time with the result that financial performance already reported may need to be revised, and estimates of future financial performance may also need to be revised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 (continued)

2. ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies

(a) 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.

Attributable profit on long-term contracts is recognised using the percentage-of-completion method of accounting and principally uses the cost-to-cost or delivery events method to measure progress towards completion on contracts. The method used by type of contract is based on judgement as to which method best measures progress towards completion on contracts

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

(b) Foreign currencies

The Financial Statements are expressed in euros (€).

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account

(c) Fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation and provisions for impairment. The cost of an asset is made up of the purchase price of the asset plus any costs directly attributable to bringing the asset into working condition for its intended use.

Freehold land is not depreciated. For other assets depreciation is calculated to write off the cost of tangible fixed assets over their expected useful lives annually on the straight line method as follows

Buildings	2 5%
Building improvements	20%
Plant and equipment	10% to 12.5%
Motor vehicles	20%
Computer equipment	20%
Computer software	33 3%
Office equipment	12 5%

NOTES TO THE FINANCIAL STATEMENTS**31 December 2016 (continued)****2. ACCOUNTING POLICIES (continued)****2.3 Significant accounting policies (continued)****(d) Impairment of fixed assets**

The carrying value of tangible assets is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Under FRS101, impairment is assessed by comparing the carrying value of an asset with its recoverable amount (being the higher of net realisable value and value in use). Net realisable value is defined as the amount at which an asset could be disposed of, less any direct selling costs. Value in use is defined as the present value of the future cash flows obtainable through continued use of an asset including those anticipated to be realised on its eventual disposal.

(e) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value and net of amounts received and receivable on account. Cost is determined on a first in first out basis and includes transport and handling costs. In the case of work in progress, cost includes direct materials and labour costs plus attributable overheads. Net realisable value is the actual or estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

(f) Taxation

Current tax is recognised based on tax rates and laws in effect during the year.

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 that will result in an obligation to pay more, or a right to pay less, 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.

Timing differences are differences between profit as computed for taxation purposes and profit as stated in the Financial Statements which arise because certain items of income and expenditure in the Financial Statements are dealt with in different periods for taxation purposes.

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.

(g) Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Company are capitalised. The capital element of the related rental obligations is included in creditors. Leasing charges under finance leases are charged to revenue in the year incurred as estimated under the sum of digits method. Assets held under operating leases are not capitalised in the Financial Statements and the related lease charges are expensed in the Financial Statements over the term of the relevant lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 *(continued)*2. ACCOUNTING POLICIES *(continued)*2.3 *Significant accounting policies (continued)**(h) Research and development*

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

(i) Pension benefits

The Company operates two defined benefit pension schemes which are funded. A full actuarial valuation is undertaken every three years and is updated to reflect current conditions in the intervening periods. Scheme assets are valued at market value. Scheme liabilities are measured on an actuarial basis, using the projected unit method and discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability. Any surplus is shown as an asset on the balance sheet. Any deficit is shown on the balance sheet as a liability. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income. The current service cost and past service cost of the defined benefit schemes is charged to operating profit and the expected return on assets net of the change in the present value of the scheme liabilities arising from the passage of time, is credited to other finance income.

The Company also operates a defined contribution scheme. Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

(j) Share based payment charges

The group has share based employee incentive plans which are described more fully in Note 21. 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 Ireland. 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.

(k) Financial instruments

The Company uses forward currency contracts to hedge its risks associated with foreign currency. The contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. All movements in the fair value are recognised in the profit and loss account.

(l) Warranties for products

Provision is made for the estimated liability on all products still under warranty, including claims already received.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
3. TURNOVER

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

Turnover is analysed as follows:

Category	Continuing Operations	
	2016	2015
	€'000	€'000
Turnover		
Goods	101,264	80,343
Services	15,980	16,516
Total	<u>117,244</u>	<u>96,859</u>

Business Segment	Continuing Operations	
	2016	2015
	€'000	€'000
Turnover		
Process Automation	7,741	9,472
Electrification Products	53,126	49,475
Discrete Automation & Motion	5,889	5,505
Power Grids	50,483	32,217
Other non-trading divisions	5	190
Total	<u>117,244</u>	<u>96,859</u>

Included in the above is IAS 11 construction contract revenues of €40,501,000 (2015: €22,242,000) in Power Grids.

Geographic Market	Continuing Operations	
	2016	2015
	€'000	€'000
Turnover		
Ireland	80,857	69,951
Rest of Europe	33,272	23,128
Rest of the World	3,115	3,780
Total	<u>117,244</u>	<u>96,859</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
4. EMPLOYEES

The average number of persons employed by the Company (including directors) during the year was as follows:

	2016 Number	2015 Number
Selling	48	46
Operations	81	79
Management and administration	21	19
	<u>150</u>	<u>144</u>
The staff costs comprise :	€'000	€'000
Salaries and wages	11,357	11,483
Social welfare costs	1,688	1,324
Pension and other costs	1,488	1,579
	<u>14,533</u>	<u>14,386</u>

5. OTHER FINANCE EXPENSE

	2016 €'000	2015 €'000
Net interest on defined benefit liability	<u>(344)</u>	<u>(355)</u>

A description of the retirement benefit scheme operated by the Company is provided in Note 20.

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on activities before taxation is stated after charging/(crediting):

	2016 €'000	2015 €'000
Directors' remuneration:		
Salaries	218	221
Other emoluments including pension contributions	62	39
Depreciation and amortisation	426	408
Auditors' remuneration	35	35
Stocks writedown	214	99
Operating lease rentals		
- equipment & vehicles	348	308
- land and buildings	168	75
Research and Development		
Expenditure written off	514	555
Foreign exchange losses	7	64

One director (2015: One) had pension benefits accruing under the defined benefit pension schemes.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2016 (continued)****6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)**

All other directors, other than those for whom remuneration is disclosed above, are employees of fellow subsidiary companies. No recharge is made for their services, but an allocation of their time spent results in a charge of €31,000 (2015: €36,000) borne by other group entities.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES**(a) Analysis of profit and loss accounting charge**

	2016 €'000	2015 €'000
Current tax:		
Republic of Ireland corporation tax on profit of the year at 12.5%		
Current year tax charge	(1,373)	(949)
Over / (under) provision in respect of prior year	42	(27)
Total current tax charge	(1,331)	(976)
Deferred tax:		
Origination and reversal of timing differences	(5)	(105)
Total deferred tax (charge)	(5)	(105)
Tax charge on profit on ordinary activities	(1,336)	(1,081)

(b) Reconciliation of the expected total tax charge at the standard tax rate to the actual current tax charge at the effective rate.

The tax assessed for the year is higher than the standard rate of corporation tax in the Republic of Ireland of 12.5%. The differences are explained below:

	2016 €'000	2015 €'000
Profit on ordinary activities before taxation	10,237	6,899
Profit on ordinary activities multiplied by standard rate of corporation tax in the Republic of Ireland of 12.5%	1,280	862
Effects of:		
Expenses not deductible for tax purposes	11	30
R&D tax credits – non taxable income	(37)	(33)
Medical insurance premium gross up	18	29
Permanent fixed asset timing differences	31	31
Deferred tax not recognised	-	105
Foreign taxes	75	30
(Over) / under provision in respect of prior year	(42)	27
Total tax expense	1,336	1,081

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The Company has future tax adjustments in Ireland of €83,000 relating to accelerated capital allowances (2015: €92,000) and €70,000 (2015: €70,000) in relation to short-term timing differences.

	2016 €'000	2015 €'000
Pension deficit (Note 20)	2,040	1,954
Decelerated / Accelerated capital allowances	(83)	(92)
Short-term timing differences	70	70
	<u>2,027</u>	<u>1,932</u>

The total net deferred tax asset recognised of €2,027,000 (2015: €1,932,000) is reflected in these accounts as follows:

	Debtors (Note 12) €'000
Brought forward at 1 January 2015	2,116
Movement in the year – P & L	(105)
Movement in the year – OCI	<u>(79)</u>
Brought forward at 1 January 2016	1,932
Movement in the year – P & L	(5)
Movement in the year – OCI	100
Carried forward at 31 December 2016	<u><u>2,027</u></u>

8. DIVIDENDS

The Company paid an interim dividend of €17,670,000 (€35.34 per share) (2015: €NIL)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 (continued)

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings €'000</i>	<i>Motor vehicles €'000</i>	<i>Machinery and equipment €'000</i>	<i>Computer software €'000</i>	<i>Total €'000</i>
Cost					
At 1 January 2015	12,338	56	2,891	1,738	17,023
Additions	-	-	114	-	114
Disposals	-	-	(658)	(94)	(752)
At 1 January 2016	12,338	56	2,347	1,644	16,385
Additions	-	-	207	-	207
Disposals	(3,589)	-	(474)	-	(4,063)
At 31 December 2016	8,749	56	2,080	1,644	12,529
Depreciation					
At 1 January 2015	7,338	56	2,472	1,738	11,604
Charge for year	250	-	158	-	408
On disposal	-	-	(655)	(94)	(749)
At 1 January 2016	7,588	56	1,975	1,644	11,263
Charge for year	228	-	198	-	426
On disposal	(2,955)	-	(453)	-	(3,408)
At 31 December 2016	4,861	56	1,720	1,644	8,281
NBV					
At 31 December 2016	3,888	-	360	-	4,248
At 31 December 2015	4,750	-	372	-	5,122
At 31 December 2014	5,000	-	419	-	5,419

The net book value of fixed assets includes an amount of €26,629 (2015: €96,000) in respect of assets held under finance leases.

Included in freehold land and buildings is land of €787,000 (2015: €878,000). Which is not depreciated.

10. INVESTMENTS

	<i>2016 €'000</i>	<i>2015 €'000</i>
Forward currency derivative contracts	-	2

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
11. STOCKS

	2016 €'000	2015 €'000
Work in progress	2,299	4,677
Finished goods	2,551	2,820
	<u>4,850</u>	<u>7,497</u>

The replacement cost of stocks does not differ significantly from the balance sheet amounts

12. DEBTORS

	2016 €'000	2015 €'000
<i>Amounts falling due within one year</i>		
Forward currency derivative contracts	31	157
Trade debtors	31,352	23,181
Amounts owed by fellow subsidiaries	14,980	32,980
Prepayments and accrued income	6,681	707
Corporation tax	192	124
Deferred tax asset (Note 7)	2,027	1,932
	<u>55,263</u>	<u>59,081</u>

13. CONSTRUCTION CONTRACTS

	2016 €'000	2015 €'000
Contracts in progress at 31 December		
Amounts due from contract customers included in trade debtors (note 12)	5,335	451
Amounts due from contract customers included in work in progress (note 11)	112	238
Amounts due to customers included in trade creditors and amounts owed to group undertakings (note 14)	<u>(2,400)</u>	<u>(2,510)</u>
	<u>3,047</u>	<u>(1,821)</u>
Contract costs incurred plus recognised profits less foreseen losses to date	61,766	33,569
Less progress billings	<u>(58,719)</u>	<u>(35,390)</u>
	<u>3,047</u>	<u>(1,821)</u>

At 31 December 2016, retentions held by customers for contract worked amounted to €nil (2015: €253,088).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 (continued)

14. CREDITORS (amounts falling due within one year)

	<i>2016</i>	<i>2015</i>
	<i>€'000</i>	<i>€'000</i>
Trade creditors	1,758	523
Amounts owed to group undertakings	14,135	13,713
Taxation and social welfare (Note 15)	3,719	4,642
Forward currency derivative contracts	39	11
Accruals	7,183	6,455
Deferred income	5,304	5,423
Finance leases (Note 18)	18	32
Other creditors	64	202
Corporation tax	376	-
	<u>32,596</u>	<u>31,001</u>

The fair value of forward currency contracts was determined using quoted forward exchange rates matching the maturity of the contracts.

15. TAXATION AND SOCIAL WELFARE

Taxation and social welfare creditors are as follows

	<i>2016</i>	<i>2015</i>
	<i>€'000</i>	<i>€'000</i>
PAYE and PRSI	1,463	1,191
Value Added Tax	<u>2,256</u>	<u>3,451</u>
	<u>3,719</u>	<u>4,642</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
16. PROVISIONS

	Warranties €'000	Other €'000	Total €'000
Provision at 1 January 2015	4,266	2,350	6,616
Charged during the year	703	-	703
Released during the year	-	-	-
Utilised during the year	(366)	(491)	(857)
Provision at 1 January 2016	4,603	1,859	6,462
Charged during the year	901	880	1,781
Released during the year	(620)	-	(620)
Utilised during the year	(754)	(264)	(1,018)
Provision at 31 December 2016	4,130	2,475	6,605

Some products carry formal guarantees of satisfactory performance of varying periods following their purchase by customers. Provision is made for the estimated cost of honouring unexpired warranties. The expected timing of any payments under such guarantees and warranties is uncertain.

Other provisions relate to provisions which exist in order to cover the remaining costs in relation to the closure of a transformer factory in Waterford and the transfer of the QCS business from Dundalk.

17. CALLED UP SHARE CAPITAL

	2016 €'000	2015 €'000
<i>Authorised</i>		
500,000 ordinary shares of €1.269738 each	635	635
<i>Allotted called up and fully paid</i>		
500,000 ordinary shares of €1.269738 each	635	635

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
18. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

	2016 €'000	2015 €'000
Future minimum lease payments due under finance lease and hire purchase contracts		
Within one year	18	32
Within two to five years	15	32
In over five years	-	-
Less finance charges allocated to future periods	-	(1)
Present value of minimum lease payments	33	63

The present value of minimum lease payments is analysed as follows

	2016 €'000	2015 €'000
Within one year	18	32
Within two to five years	15	31
In over five years	-	-
	33	63

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and Buildings		Other	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Amount payable				
within one year	209	62	325	313
within two to five years	536	68	432	500
	745	130	757	813

NOTES TO THE FINANCIAL STATEMENTS**31 December 2016 (continued)****19. CONTINGENT LIABILITIES**

At 31 December 2016 there were no outstanding contingent liabilities in respect of the Company (2015: €nil) other than the matters detailed below:

Guarantees related to contracts

In accordance with industry practice, guarantees of performance under contracts with customers are given.

The guarantees are provided by banks by way of advance payment, performance or warranty bonds and are normally for defined amounts and periods.

At 31 December 2016 these guarantees amounted to €355,623 (2015: €710,952).

The Company provides a counter indemnity to the bank for issuing the guarantees.

20. PENSIONS

The Company operates two defined benefit and one defined contribution pension scheme designed to provide retirement benefits for the majority of its employees. Contributions to the defined contributions pension scheme were €138,245 (2015: €130,750). The principal defined benefit pension schemes which cover Irish 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 Asea Brown Boveri Ltd Pension Scheme and the ABB Industrial Systems Ltd Retirement and Death Benefit Plan were last carried out on 1 January 2015 and both have been updated to 31 December 2016 by qualified independent actuaries

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 (continued)

20. PENSIONS (continued)

The estimated actuarial valuation at 31 December 2016 showed a deficit of € 16,317,000 (2015: €15,633,000). The service cost has been calculated using the projected unit method. The employer contributed an average of 15.97% (2015: 15.97%) of members' pensionable salaries plus an additional annual fixed payment of €1,120,000 (2015: €1,120,000). Contributions to the scheme in 2017 are estimated to be €1,907,000.

The assumptions used by the actuary were:

	2016	2015	2014
	%	%	%
Rate of increase in salaries	3.25	3.25	3.25
Rate of increase to pensions in payment	1.75	1.75	1.75
Discount rate for scheme liabilities	1.95	2.35	2.30
Inflation assumption	1.75	1.75	1.75

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Effect on defined benefit Obligation
Discount rate	0.25% increase	€(4,066)
Discount rate	0.25% decrease	€4,392

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
20. PENSIONS (continued)

The fair value of the assets in the schemes and the present value of the liabilities in the schemes at the balance sheet dates were as follows:

	2016 €'000	2015 €'000
Equity securities	27,367	24,806
Bond securities	<u>27,616</u>	<u>23,417</u>
Total market value	54,983	48,223
Present value of scheme liabilities	<u>(71,300)</u>	<u>(63,856)</u>
Net pension liability	<u>(16,317)</u>	<u>(15,633)</u>
	2016 €'000	2015 €'000
The amounts charged to operating profit were :		
Current service cost	<u>1,457</u>	<u>1,449</u>
	2016 €'000	2015 €'000
Amounts charged to other finance charges	<u>(344)</u>	<u>(355)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
20. PENSIONS (continued)

Analysis of amounts in the statement of comprehensive income are:

	2016 €'000	2015 €'000
Actual return less expected return on assets	4,319	189
Experience gains and losses on liabilities	1,240	(308)
Changes in assumptions	(6,361)	745
Actuarial (loss) / gain recognised in the statement of comprehensive income	(802)	626
Cumulative actuarial loss in the statement of comprehensive income	(18,243)	(17,441)
Analysis of movements in deficit during the year:	2016 €'000	2015 €'000
At beginning of the year	(15,633)	(16,308)
Movement in the year:		
Current service cost	(1,457)	(1,449)
Contributions paid	1,919	1,853
Net interest on net defined benefit liability	(344)	(355)
Remeasurement effects in OCI	(802)	626
At end of the year	(16,317)	(15,633)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
20. PENSIONS (continued)

History of experience of gains and losses:

	2016	2015	2014	2013	2012
Difference between the expected and Actual return on scheme assets – Amount (€'000)	4,319	189	6773	1,270	2,540
Percentage of scheme assets	7.86%	0.39%	14.5%	3.47%	7.72%
Experience gains and losses on scheme liabilities - Amount (€'000)	1,240	(308)	692	(163)	890
Percentage of scheme liabilities	1.74%	0.48%	(1.11)%	0.34%	1.92%
Changes in assumptions underlying the present value of scheme liabilities – Amount (€'000)	(6,361)	745	(12,560)	670	(17,471)
Percentage of scheme liabilities	8.92%	1.17%	(20.23)%	1.40%	(37.76)%

Changes in the fair value of the defined benefit obligation are analysed as follows:

	2016 €'000	2015 €'000	2014 €'000	2013 €'000	2012 €'000
Opening defined benefit obligation	63,856	62,084	47,907	46,246	27,714
Service cost	1,457	1,449	1,181	1,123	692
Interest cost	1,491	1,420	1,714	1,655	1,592
Contributions by plan participants	192	188	185	192	198
Actuarial (loss) / gain	5,121	(437)	11,868	(507)	16,581
Benefits paid	(817)	(848)	(771)	(802)	(531)
Closing defined benefit pension obligation	71,300	63,856	62,084	47,907	46,246

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 (continued)

20. PENSIONS (continued)

Changes in the fair value of scheme assets are analysed as follows:

	2016 €'000	2015 €'000
Opening fair value of scheme assets	48,223	45,776
Expected return on assets	1,147	1,065
Actuarial gain	4,319	189
Contributions by employer	1,919	1,853
Contributions by plan participants	192	188
Benefits paid	(817)	(848)
Closing fair value of scheme assets	<u>54,983</u>	<u>48,223</u>

Fair value of the scheme assets, present value of the scheme liabilities and surplus or deficit in the scheme:

	2016 €'000	2015 €'000	2014 €'000	2013 €'000	2012 €'000
Present value of scheme					
Liabilities	(71,300)	(63,856)	(62,084)	(47,907)	(46,246)
Fair value of scheme					
Assets	54,983	48,223	45,776	36,571	32,901
(Deficit) in the plan	(16,317)	(15,633)	(16,308)	(11,336)	(13,345)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 (continued)

21. EMPLOYEE INCENTIVE PLANS

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

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 or options 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 or options 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 Ireland 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 Irish company. If an employee forfeits the awards during the vesting period, ABB Limited in Ireland 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 Ireland receives a credit note/invoice for the respective portion of the initial charge. A charge of €157,763 is included in other operating changes in 2016 (2015: €95,296).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016 (continued)
21 EMPLOYEE INCENTIVE PLANS (continued)
WARs

Presented below is a summary of WAR activity of the Company's employees for the years ended 31 December 2016 and 2015:

	2016 Number of WARs	2015 Number of WARs
Outstanding at 1 January	1,236,350	982,410
Granted during the year	249,690	253,940
Exercised during the year	(135,000)	-
Expired during the year	(120,000)	-
Employees transferred in	31,875	-
Outstanding at 31 December	1,262,915	1,236,350
Exercisable at 31 December	454,300	473,050

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 2016 was CHF117,534 (2015: CHF 99,037)

Warrants and Options

Presented below is a summary of the activity related to warrants and options for the Company's employees for year ended 31 December 2016. There was no activity relating to warrants or options in the year ended 31 December 2015.

2016	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) ⁽¹⁾
Outstanding at 1 January 2016	-	-			
Granted during the year	-	-			
Forfeited during the year	-	-			
Exercised during the year	-	-			
Not exercised (savings returned plus interest) during the year	-	-			
Employees transferred in	160,500	32,100			
Employees transferred out	-	-			
Outstanding at 31 December 2016	160,500	32,100	20.29	4.1	192
Exercisable at 31 December 2016	-	-			

(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 (vrt-x) and the exercise price per share of ABB Ltd.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 (continued)

21. 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 Ireland receives a charge for the costs of providing ESAP to employees of the Irish Company. 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 €12,096 are included in other operating charges in 2016 (2015: €2,306).

Presented below is a summary of activity under the ESAP during the years ended 31 December 2016 and 2015:

2016	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 2016	10,630	18.79		
Granted during the year	9,140			
Transfer in	530	20.12		
Forfeited during the year	(380)	18.79		
Exercised during the year	(4,584)	18.79		
Not exercised (savings returned plus interest) during the year	<u>(6,196)</u>	18.79		
Outstanding at 31 December 2016	<u>9,140</u>	20.12		
Vested and expected to vest at 31 December 2016	9,140	20.12	0.8	0
Exercisable at 31 December 2016	<u>-</u>		0.8	0

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016 (continued)

21. EMPLOYEE INCENTIVE PLANS (continued)

2015	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 2015	11,670	20.97		
Granted during the year (restated)	10,630	18.79		
Forfeited during the year	(430)	20.97		
Exercised during the year	(153)	20.97		
Not exercised (savings returned plus interest) during the year	<u>(11,087)</u>	20.97		
Outstanding at 31 December 2015	<u>10,630</u>	18.79		
Vested and expected to vest at 31 December 2015	10,630	18.79	0.8	0
Exercisable at 31 December 2015	<u>-</u>		0.8	0

(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.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2016 (continued)****22. RELATED PARTIES AND PARENT COMPANY**

The Company has taken advantage of the exemption conferred by IAS 24 in that transactions with other wholly owned group companies are not disclosed, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

23. ULTIMATE HOLDING COMPANY

The Company's immediate controlling party is ABB Holdings Limited, a company incorporated in England and Wales. The Company's ultimate controlling party is ABB Ltd, a company incorporated in Switzerland.

The parent undertaking of the smallest and largest group of undertakings for which group Financial Statements are drawn up, and of which the Company is a member, is ABB Ltd, a company incorporated in Switzerland. Copies of its group Financial Statements are available from ABB Ltd, PO Box 8131, CH-8050 Zurich, Switzerland.

24. APPROVAL OF ACCOUNTS

The Directors approved the Financial Statements and authorised them for issue on *23 November 2017*