SIEMENS INDUSTRY SOFTWARE LIMITED
Annual report and financial statements
Registered number 03476850
September 30, 2021

SIEMENS INDUSTRY SOFTWARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2021

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SIEMENS INDUSTRY SOFTWARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2021

The directors of Siemens Industry Software Limited ("the Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2021. In these financial statements, the terms 'Group' and 'Siemens' refer to the Company's ultimate parent undertaking, Siemens AG.

STRATEGIC REPORT

Principal activities

Siemens Industry Software Limited principal activities continue to be the sale and support of a wide portfolio of software and services, engaged in helping customers achieve digital transformation.

The combined software and services offering is now known as Xcelerator; a comprehensive, integrated portfolio of software, services and application development platforms designed to help companies of all sizes become digital enterprises.

General business review - Statement of Income

The performance in 2021 is in line with the expectations of the directors, and the directors believe the results for the year reflect the ongoing trading performance of the Company.

The Company made a net loss for the financial year, net of taxation of £(3,868)k (2020: £6,498k).

The Company earns revenue from three primary sources: licence, maintenance and services. The key measures of the operational business are growth of these revenue streams. Total turnover for the year ended September 30, 2021 was £132m (2020: £112m).

Operating costs for the same comparative 12 months period have increased 16% to £121m from £104.4m, which is primarily related to increase in royalty expense in direct relation to revenue increase. The overall operating profit increased as compared to the last year in relation to the revenue increase.

The directors have considered the additional risks related to the COVID-19 that was declared a pandemic by the World Health Organisation in March 2020. The Company has assessed the potential impact on its business in the short-term to be manageable. Since the outbreak of coronavirus was reported the Company has continuously reassessed its business practices to ensure business continuity whilst following all safety guidelines applicable to all working environments. As a result, the Company has continued to operate throughout the crisis. However, the underpinning principles of business continuity planning, risk management and application of an integrated internal control framework has resulted in the Company trading profitably. The Directors continue to closely monitor and assess the progression of the Pandemic to identify emerging business risks and to update response plans accordingly.

The Directors work closely with management to anticipate risks from economic or global factors and plan accordingly. Like many businesses, we monitored and sought to anticipate the impact of the UK's departure from the European Union (so-called 'Brexit). Following the agreement of the EU-UK Trade and Cooperation Agreement (TCA), Siemens has taken the necessary steps to ensure that our systems and processes comply with relevant post-Brexit requirements. However, this has not created an impact on the figures we present this year. Beyond that it is too early to tell if Brexit will lead to longer-term changes to our markets in the UK, and the situation has been further complicated by the impact of the Pandemic. However, with difficult discussions ongoing between the EU and the UK over the Northern Ireland protocol, which could, in a worse-case scenario, lead to the suspension of the TCA and the introduction of additional trade barriers, we will continue to monitor developments.

General business review - Statement of Financial Position

Overall, the balance sheet has decreased with the net loss for the year of £3.9m decreasing total equity to £53.5m (2020: £74.4m). This corresponds to a decrease in investments of £19.8m from the impairment of Siemens Electronic Design Automation Ltd (formerly Mentor Graphics UK Limited) and the strike off of Mendix Technology Limited.

General business review – Statement of Cash Flow

Net cash generated by the operating activities increased by £8.3m in 2021 (£19.8m increase in 2020). This is primarily driven by a decrease in contract assets of £8m, a £8.5m increase in trade payables and a £5m increase in contract liabilities, which is offset by an £7m increase in trade receivables and a £8.5m decrease in other current liabilities. Net cash inflows from investing activities increased by £23m, driven by a £21m decrease in the purchase of investments and the trade and assets of other entities. Net cash outflow from financing activities increased by £30.8m in the current year, driven by a decrease in financing from other group companies.

Analysis of Financial Key Performance Indicators

Siemens Industry Software Limited measures its performance on a number of key performance indicators, including revenue, profit from operations and net cash from operations as discussed above. In addition, new orders received are considered to be a key performance indicator.

New Orders received

New orders received in the year remained at par as compared to the prior year.

Principal risks and uncertainties

The Company has implemented a co-ordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk. Risks which the Company faces include price and product competition, integration of acquired businesses, performance risks under long term fixed price contracts, loss of supply of product components, changes in the regulatory and legal environment, and credit and interest rate risks, which may increase due to the global shortage of credit. The Company has a diversified range of customers and revenue streams and provides products and services that support essential public services.

Statement related to Section 172 of Companies Act 2006 (known as Section 172(1) statement

The Directors of the Company must act in accordance with a set of general duties. These include a duty under s.172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members, and in doing so have regard (amongst other matters) to:

1) the likely consequences of any decision in the long term;
2) the interests of the company's employees;
3) the need to foster the company's business relationships with suppliers, customers and others;
4) the impact of the company's operations on the community and the environment;
5) the desirability of the company maintaining a reputation for high standards of business conduct; and
6) the need to act fairly as between members of the company.

Understanding the perspectives of the Company's stakeholders and building good relationships enables their views to be taken into account in Senior Leadership Team ("SLT") discussions among the board of directors of the Company ("Board") and in decision-making. Two Board members, the MD and FD are also members of the SLT, along with the Heads of Sales & Marketing, Operations and HR. The SLT plays an important business-focused and commercial role in the UK and Export operations, covering all aspects of the business. Given the size and nature of Siemens Industry Software Limited ("SISW" or "Company") in the UK, stakeholder engagement often takes place at both an operational and senior management level, as well as by the Board. Further information and examples of how the Company engages with its key stakeholders is provided below.

Employees

Striving to be an employer of choice, the Company places value on creating a culture of learning, promoting diversity and fostering equality

Engagement	**Key topics, decisions and outcomes influenced by this stakeholder group**
As a company, Siemens Industry Software Limited succeeds through its people. Fostering the health and performance of our employees as well as safeguarding their working conditions are core to the Company's social and business commitments.	Particular attention has been devoted to raising awareness of mental health issues. The Company does a lot of work to ensure employees feel equipped to cope with the mental stresses and strains of life. We are encouraging all people managers to attend a series of training sessions organised by Zurich which includes topics such as legislation to support and manage mental wellbeing in the workplace, occupational burnout, menopause and supporting an ageing workforce. All UK employees also receive a £320 per annum wellness allowance to spend on activities or items to support their physical and mental wellbeing. Based on employee feedback the scope of this programme is being further expanded in FY22. Alongside this, we also have a group of Mental Health First Aiders who have received the MHFA training and are available to employees.
The views of our employees are critical in helping us to continually improve ourselves as an organisation, and regular employee engagement surveys enable us to both	Employees also have access to a confidential Employee Assistance Programme.

further understand our employees' perspectives and generate ideas which can benefit everyone.	Employees have many opportunities to learn about and influence Company decisions, including: • The annual employee engagement survey and additional pulse wellbeing surveys • Regular Town Hall meetings • One effect of the Covid-19 pandemic has been to accelerate the flexibility of how our employee's work. With Siemens already committed to Employee Led Flexibility, in many cases employees can carry out their roles in a way which best fits their preferences and circumstances, reflecting the commitment of Siemens to Mobile Working which includes working away from traditional workplaces, and instead working at home or other locations which suit both employees and the Company. This has become increasingly embedded as the 'New Normal' way of working for many of our employees. • Regular employee townhalls with FAQs • The intranet and a regular newsletter are used to communicate news of activities and initiatives going on in the Company
Our communication and engagement arrangements are continuously improved with employee involvement via a Communications Working Group.	We have frequent communication through a variety of channels, including regular townhalls and detailed Frequently Asked Questions that aimed to address employees' concerns.
A culture of learning is encouraged in many ways. Examples include regular performance reviews and development discussions for all employees; internal and external training; sponsorship of qualifications at all levels.	To support the initiative of 'Own Your Career' a dedicated SharePoint site was developed which enables all employees to find tools and resources to support their career development such as coaching and mentoring, career opportunities and access to training courses. The L&D Team also re-launched our mentoring programme, providing training and a structured programme for mentors. Lastly, to run alongside these initiatives, 'Growth Talks' were launched. Growth talks is an initiate to encourage regular and timely feedback between managers and employees. Fostering a culture of openness and enabling employees to feel supported whilst also having the opportunity to own their own career.
Diversity and Inclusion initiatives have focused on inclusive culture, LGBT inclusion, racial and gender equality, and equal opportunities for people with disabilities.	The Management team recognises the value of diversity and inclusion and is committed to truly embed it in everything the Company does. Several initiatives, policies and programmes are underway to achieve this including playbooks shared with people managers on diversity and inclusion. In addition, all people managers have attended 'unconscious bias' training. A session on the 'menopause in the workplace' led by an external expert was run with the UK management team and other training has been made available for people managers and employees. We continue to encourage diversity in the workplace through our active global diversity council and supporting our 11 employee resource groups (ERGs). These groups are open to all Siemens employees.

	The Board is responsible for overseeing the Company's progress in closing the gender pay gap. An evidence-based action plan has been implemented in response to the Gender Pay Gap outcomes.

Customers, Suppliers and Business Partners

Business relationships with the Company's customers, suppliers, and other business partners are fundamental.

Engagement	**Key topics, decisions and outcomes influenced by this stakeholder group**
Customers are always at the centre of our thinking with regard to technology, innovation and how to best consult and support them. Our main goal is to establish ourselves as the partner of choice for our customers by fostering close and trusted partnerships.	The Company's preparation for Brexit were overseen by SLT and proved to be robust we kept customers and suppliers informed. The action taken around resource planning, reviewing, and where necessary, adjusting our systems and processes resulted in minimal disruption. The company has continued to support customer timelines and milestones, moving to full remote delivery on all projects and where requested by the customer adapted delivery scope and timescales to support the change in customer priorities driven by the global impact of the pandemic. All events moved from physical to digital and continued to be provided to customers, supporting their need to remain educated on the technologies they could be adopting to improve their business.

Communities and Environment

The Company serves society wherever it operates and as a globally active company with innovative and investment capabilities the Company shares responsibility for sustainable development worldwide.

Engagement	**Key topics, decisions and outcomes influenced by this stakehold group**
The Company supports the charitable endeavours of its employees and customers.	Siemens supports many organizations around the world through Sponsorships, Donations and Other Contributions. Memberships in various associations or contributions to certain groups and activities are an essential part of our Corporate Social Responsibility program, our leadership in industry initiatives and our programs to strengthen the Siemens brand. Employees can also make donations to a number of charities via monthly or one off payroll deductions to Charities Trust.

Government, Regulators and Trade Associations

Continuous dialog with policymakers is extremely important for the success of a company like Siemens Industry Software Limited.

Engagement	**Key topics, decisions and outcomes influenced by this stakehold group**
As a member of the Siemens group of companies, Siemens Industry Software Limited is politically neutral, but we operate in markets which are shaped by UK Government policy, either directly or indirectly.	The company continued to support the Innovate UK Catapult Network providing world-leading technology and expertise to enable innovation for UK businesses to continue.

Our external engagement is governed in full accordance with our Company commitment to responsible and sustainable business. These allow the Company to engage with peers and regulators to discuss emerging policies, regulation, and innovation.	

The Siemens AG Group Companies

The Siemens Group is setting the course for long-term value creation through accelerated growth and stronger profitability with a simplified and leaner company structure.

Engagement	**Key topics, decisions and outcomes influenced by this stakeholder group**
The main aim of the Vision 2020+ strategy is to give Siemens' individual businesses including Siemens Industry Software Limited, significantly more entrepreneurial freedom under the strong Siemens brand where appropriate, in order to sharpen their focus on their respective markets. The strategic decisions of the Siemens AG Group influence the decisions taken by the SLT which, in turn, adapts the Group strategy for the UK market taking into account UK customer and employee needs. The SLT have strong relationships with all key stakeholders across the wider Siemens Group, which ensures that the global strategy and expectations are understood and considered as part of the Company's strategic decisions for the UK.	The Company's management participates in Siemens forums and conferences at a global and UK level, which also includes functionally as well. Employees are able to join regular webinar updates given by Siemens management, with regard to the Company's strategy and performance. These take place at a global, country and business level. Dividend proposals are also a key decision made each year with the Board having regard to the ability of the Company to make a dividend taking into account, amongst other considerations, the needs of the parent company.

Approved by the board of directors on May 31, 2022 and signed on its behalf by

Sheath Ben Digitally signed by Sheath Ben Date: 2022.05.31 15:51:53 +01'00'

B Sheath
Director

SIEMENS INDUSTRY SOFTWARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2021

DIRECTORS' REPORT

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

B Holliday

D Macaskill (resigned March 1, 2021)

O Lewis (appointed March 1, 2021)

B Sheath

None of the directors holding office at September 30, 2021 had notified a beneficial interest in any other contract to which a Company or its subsidiary undertakings were a party during the financial year.

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

DIVIDENDS

The directors approved a dividend payment in the year of £17m (2020: £nil).

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company spent £3,334k (2020: £4,007k) on research and development.

INTELLECTUAL PROPERTY

The Siemens AG group relies on a combination of contracts, copyrights, patents, trademarks and other common law rights such as trade secret and unfair competition laws to establish and protect the proprietary rights to the Company's technology. The Company distributes software by license rather than by the transfer of absolute ownership. Such licenses contain various provisions protecting the Company's ownership and confidentiality of the licensed technology. The Company continues to perform research and development work on behalf of the group.

FINANCIAL INSTRUMENTS

Siemens Industry Software Limited’s financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 25 to the financial statements.

SUBSEQUENT EVENTS

There were no significant events after the reporting period.

GOING CONCERN

The Directors are carefully monitoring the potential impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business to 1st June 2023 . The current trading is in line with the updated forecasts and the valuation of assets and liabilities are not expected to have an adverse impact in the short term.

The Directors expect the business to operate under profitable conditions for the foreseeable future with limited cashflow implications on the business and have assessed the potential impact on the business in the short term to be manageable. This view is underpinned by business continuity planning, risk management and an integrated internal control framework. Nonetheless, the Directors acknowledge the long-term view remains a challenge and continue to monitor developments and prepare accordingly. Based on the Company's revised cash flow forecasts, the directors consider that the Company will continue the trend of previous years and will trade profitably and generate positive cash flows from operations over the next 12 months and beyond. The forecast is based on the assumption that supply chain continues to be undisrupted.

Additionally, Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by the Company are passed to Siemens AG and the Company can draw down on these facilities and make overdrafts if required. In arriving to the going concern conclusion reliance on the cash pooling overdrafts is not considered.

Based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

STREAMLINED ENERGY & CARBON REPORTING (SECR)

	FY21	FY20
Energy consumption used to calculate emissions: kWh	1,054,628	1,819,189
Gas Consumption (kWh)	665,455	552,456
Electricity Consumption (kWh)	318,435	406,069
Transport fuel (kWh)	70,738	860,664
Emissions from combustion of gas tCO2e (Scope 1)	122	102
Emissions from business travel in rental cars or employee -owned vehicles where company is responsible for purchasing the fuel tCO2e (Scope 3)	17	224
Emissions from purchased electricity tCO2e (Scope 2, location - based)	68	75
Emissions from purchased electricity tCO2e (Scope 2, market - based)	68	75
Total gross tCO2e based on above	207	400
Intensity ratio: tCO2e gross figure based from mandatory fields above/ £100,000 turnover	0.157	0.358

Methodology	All the SECR data requirements for unquoted 'large' companies have been met and the energy consumption and emissions are reported above. This includes UK consumption of electricity, gas and transport fuels where the company is responsible for the fuels. The methodology used to calculate emissions is the WBCSD/WRI Greenhouse Gas Protocol: a corporate accounting standard: revised edition. An operational control approach has been taken. UK Government greenhouse gas emissions conversion factors for 2021 have been applied as these were applicable for the majority of the financial year. Scope 2 emissions from purchased electricity have been calculated using the location-based and market-based approaches.
Energy Efficiency Action:	Siemens cemented this commitment to climate action in 2021 by signing up to the Climate Pledge, setting 1.5C aligned science-based targets with the Science Based Targets Initiative (SBTi) and joining EV100, RE100 and EP100. This year the business has focused its decarbonisation activities on it's fleet with the launch of the Ultra-Low Emissions Vehicle company car scheme. This is the first step in our road to zero initiative, working towards the goal that all miles driven for business will be carbon neutral. This provides a cost efficient alternative choice for employees currently receiving a cash allowances; supporting employees to switch to ULEVs with a C02 limit of 49g/km. This limit will be reviewed annually in order to reduce our carbon footprint, Since the launch of the scheme in April 2021, 58 drivers* have ordered ULEVs vehicles with 93% of order for fully electric vehicles. Further information on our approach to Sustainability can be found at new.siemens.com/uk/en/company/sustainability.html * Relates to the broader group of Siemens Industry Software businesses

GROUP POLICIES

Employee engagement

The directors continue to encourage employee participation within the Company. The Siemens Leadership Framework and Management Development Programmes underpin the various methods for encouraging an open and participative style of management and communication that has been introduced in recent years; these include team briefings, intranet information and notices, staff forums and employee elections to the Siemens Europe Committee and the European Works Council. We encourage suggestions and innovations for improving business performance through the “top+ Business Excellence'', business suggestion schemes and the staff dialogue process.

Environmental

As a leading global company, Siemens has a responsibility to comply with the highest ethical and legal standards while protecting the environment and benefiting society as a whole. There are a number of initiatives, such as the Siemens STAR Awards, which recognise excellence in Zero Harm as well as the Siemens core values of responsibility, innovation and excellence.

Equal opportunities

The Company is committed to equal opportunities for all, free from discrimination and harassment. Siemens values the contribution of all employees. All job applicants and employees, customers, visitors or contractors will receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality or ethnic or national origins. Within Siemens, applicants and employees will be recruited, selected, trained and promoted on objective grounds, i.e. on the basis of their abilities to contribute most effectively to the success of the Company. Wherever possible, we will assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

Business Stakeholders

Business relationships with the customers, suppliers, and other business partners are fundamental to Siemens. The Group maintains business relationships only with reputable partners who comply with the law. The Group protects the interests of its customers through the careful selection of suppliers and other business partners and through the standards set for its own actions. The Group only works with suppliers who are prepared to eliminate problems or implement risk reduction measures. That is why the Group cooperates with excellent partners worldwide. Amongst others, the Group’s Code of Conduct is based on the UN Global Compact and the principles of the International Labour Organisation, and it reflects the Siemens Business Conduct Guidelines, which apply to the entire Group.

POLITICAL DONATIONS

The Company did not make any political donations during the current or preceding year.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who held office at the date of approval of this annual report confirm that so far as they are aware, there is no relevant audit information of which the Company’s auditor is unaware, and each director has taken all steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

AUDITOR

In accordance with section 487(2) of the Companies Act 2006, Ernst & Young LLP will continue in office as auditor of the Company.

Approved by the board of directors on May 31, 2022 and signed on its behalf by

Sheath Ben

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Date: 2022.05.31 15:52:30 +01'00'

B Sheath

Director

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2021

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws in the United Kingdom. Under Company Law the directors have elected to prepare the financial statements in accordance with International Accounting Standards (IASs) in conformity with the Companies Act 2006.

Under Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing the financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently; make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IASs in conformity with the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS INDUSTRY SOFTWARE LIMITED

Opinion

We have audited the financial statements of Siemens Industry Software Limited for the year ended September 30, 2021 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 332 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 1 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006) and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the company has to comply with laws and regulations including health and safety, employees, data protection and anti-bribery and corruption.
- We understood how Siemens Industry Software Limited is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We corroborated our enquiries through our review of board minutes, and we noted no such contradictory evidence.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management and those charged with governance. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be a risk of management override on journal entries and a fraud risk around revenue recognition in particular revenue recognition around the year end date for license, maintenance and service revenue. For management override, we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria which we investigated further to gain an understanding of the transaction and agree to source documentation ensuring appropriate authorisation of the transactions. For revenue, we selected a sample of revenue transactions around the year end date and performed detailed testing, including agreeing to source documentation such as invoices, proof of delivery, contracts and subsequent customer payments to validate that the revenue had been recognised appropriately and in the correct period. Additionally, we have specifically selected samples from the accrued revenue as at year-end and performed detailed testing as per revenue procedures above. We also specifically selected samples from the deferred revenue as at year-end and performed detailed testing, including agreeing to source documentation such as invoices and contracts to validate appropriate recognition and deferral as at year-end.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Emily Butler (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

Date: 31 May 2022

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF INCOME

For the year ended September 30, 2021 and 2020 (in thousands of £)

	Note	2021	2020
Revenue	4	**131,893**	111,887
Cost of sales		**(79,965)**	(68,281)
Gross profit		**51,928**	43,606
Research and development expenses, net		**(3,334)**	(4,007)
Marketing and distribution expenses		**(33,826)**	(28,891)
Administrative expenses		**(3,734)**	(3,212)
Other operating (expenses) / income	6	**(103)**	-
Operating profit	5	**10,931**	7,496
Loss from investments accounted for using the equity method, net	18	**(19,760)**	(4,042)
Interest income	9	**(91)**	46
Interest expenses	9	**(171)**	(82)
Other financial income, net		**8,114**	4,272
(Loss) / income from continuing operations before income taxes		**(977)**	7,690
Income tax expense	10	**(2,891)**	(1,192)
(Loss) / income from continuing operations, net of income taxes		**(3,868)**	6,498
Net (loss) / income for the financial year		**(3,868)**	6,498

The Company has no other gains or losses in the current and prior year, other than those included in the income statement above, and therefore no separate statement of comprehensive income has been presented.

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF FINANCIAL POSITION

For the year ended September 30, 2021 and 2020 (in thousands of £)

	Note	2021	2020
ASSETS			
Trade and other receivables	11	**59,824**	48,785
Other current financial assets		**-**	30
Contract assets	12	**12,051**	18,985
Inventories	13	**14**	196
Current income tax assets		**275**	941
Other current assets	14	**2,148**	989
Total current assets		**74,312**	69,926
Goodwill	15	**23,295**	14,304
Other intangible assets	16	**23**	-
Property, plant and equipment	17	**5,248**	5,920
Investments	18	**2,167**	21,930
Other financial assets		**133**	133
Deferred tax assets	10	**640**	245
Other assets		**384**	90
Total non-current assets		**31,890**	42,622
Total assets		**106,201**	112,548
LIABILITIES AND EQUITY			
Short-term lease liability	28	**2,104**	2,000
Trade payables	19	**18,374**	8,227
Other current financial liabilities		**204**	968
Contract liabilities	12	**13,520**	9,398
Current provisions	22	**239**	77
Other current liabilities	20	**16,268**	14,334
Total current liabilities		**50,709**	35,004
Long-term lease liability	28	**1,857**	3,099
Other liabilities		**87**	29
Total non-current liabilities		**1,944**	3,128
Total liabilities		**52,653**	38,132
Equity			
Share capital	23	**8,393**	8,393
Capital contribution reserve		**208**	208
Retained earnings		**44,947**	65,815
Total equity		**53,548**	74,416
Total liabilities and equity		**106,201**	112,548

These financial statements were approved and authorised for issue by the board of directors on May 31, 2022 and were signed on their behalf by:

Lewis Oliver
Digitally signed by Lewis Oliver
DN: cn=Lewis Oliver, o=Siemens, email=oliver.lewis@siemens.com
Date: 2022.05.31 14:23:56 +01'00'

Oliver Lewis
Director

Siemens Industry Software Limited
Company No. 03476850

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF CASH FLOWS

For the year ended September 30, 2021 and 2020 (in thousands of £)

	Note	**2021**	2020
Cash flows from operating activities			
Net (loss) / income for the financial year		**(3,868)**	6,498
Adjustments to reconcile net (loss) / income to cash flows from operating activities			
Depreciation and amortisation	5, 16, 17	**2,647**	2,348
Income tax expenses	10	**2,891**	1,192
Interest expenses, net	9	**262**	36
Dividends received		**(8,114)**	(4,272)
(Gains) / losses on disposal of property, plant and equipment, net		**(1)**	4
Impairment of investments	18	**19,761**	4,042
Operating profit before changes in working capital and provisions		**13,578**	9,848
Changes in assets and liabilities			
Inventories		**183**	184
Contract assets		**6,934**	(923)
Trade and other receivables		**(8,163)**	(935)
Other current assets		**(957)**	426
Trade payables and accrued expenses		**8,203**	(388)
Contract liabilities		**4,121**	(1,118)
Current provisions		**162**	(57)
Other current liabilities		**(3,956)**	4,612
Long term assets		**(293)**	(19)
Long term liabilities		**33**	(60)
Cash generated from operations		**19,846**	11,570
Research and Development tax credit		**(335)**	(269)
Income taxes paid		**(1,978)**	(1,823)
Interest paid		**(262)**	(36)
Cash flows from operating activities – continuing operations		**17,271**	9,442
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	16, 17	**(1,218)**	(325)
Purchase of investments	18	**1**	(21,929)
Disposal of intangibles and property, plant and equipment	16, 17	**13**	2
Disposals of investments	18	**-**	786
Purchase of trade and assets of other entities	3	**(6,797)**	(5,622)
Dividends received		**8,114**	4,272
Cash flows from investing activities – continuing operations		**114**	(22,816)

Cash flows from financing activities

Change in financing from other group companies	11, 19	**1,786**	15,194
Dividends Paid	32	**(17,000)**	-
Proceeds from issuance of shares		**(2,171)**	(1,820)
Cash flows from financing activities – continuing operations		**(17,385)**	13,374
Change in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of the year		**-**	-
Cash and cash equivalents at the end of the year		**-**	-

Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Therefore, apart from any accounts held with local banks, amounts invested with/drawn down from the Siemens AG accounts are shown as an intercompany balance. Changes in the balances on these facilities are included in cash flows from financing activities in the Statement of Cash Flows. An increase in cash that is loaned to the cash pool is shown as a cash outflow from financing activities, and an increase in cash borrowed from the cash pool is shown as a cash inflow from financing activities.

Also included within the change in financing from other group companies are the balances due from other group companies arising from the sale of investments and goodwill and receipt of dividends, as well as loans to other group companies.

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF CHANGES IN EQUITY
For the years ended September 30, 2021 and 2020 (in thousands of £)

	Share capital	Capital contribution reserve	Retained earnings	Total equity
Brought forward October 1, 2019	8,393	208	59,317	67,918
Adjustment from adoption of IFRS 16				
Brought forward October 1, 2019 (adjusted)				
Net income for the financial year	-	-	6,498	6,498
Total comprehensive income for the financial year	-	-	6,498	6,498
Balance at September 30, 2020	8,393	208	65,815	74,416
Brought forward October 1, 2020	**8,393**	**208**	**65,815**	**74,416**
Net loss for the financial year	**-**	**-**	**(3,868)**	**(3,868)**
Total comprehensive income for the financial year	**-**	**-**	**(3,868)**	**(3,868)**
Dividends to equity holders	**-**	**-**	**(17,000)**	**(17,000)**
Other changes in equity	**-**	**-**	**-**	**-**
Balance at September 30, 2021	**8,393**	**208**	**44,947**	**53,549**

Capital contribution reserve

Certain directors and senior managers of the Company are eligible for share options and stock awards and all employees are eligible to join the share matching plan in the ultimate parent undertaking, Siemens AG. These share options are awarded directly by the ultimate parent undertaking, who requires the Company to make a payment (equal to the fair value of the options at grant date or the costs incurred by the ultimate parent undertaking, depending on the grant date) to reimburse it for the granting of these rights. The capital contribution reserve is used to recognise the Company's share-based payment expense in respect of the share matching plan. The payments made to Siemens AG are deducted from this reserve to the extent that the costs have already been recognised. Any additional payments are charged directly to the Statement of Income.

1. Basis of presentation

The accompanying financial statements present the operations of Siemens Industry Software Limited (''the Company) and have been prepared and approved by the directors in accordance with International Accounting Standards ('IASs') in conformity with requirements of the Companies Act 2006. The financial statements were authorised for issue by the Board of Directors on May 31, 2022. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

The Company has prepared and reported its financial statements in Great British Pounds (GBP or £) and the financial information is disclosed in thousands of £, except where stated otherwise. 'k' denotes thousands of £ and 'm' denotes millions of £. Due to rounding, numbers presented may not add up precisely to totals provided. The Company is a United Kingdom based company incorporated in England and Wales and is engaged in PLM (Product Lifecycle Management), MES (Manufacturing Execution Systems) and CIS (Comos Industry Solutions) Software business units.

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 2021. In these financial statements, the term 'group' refers to all companies for whom the ultimate parent undertaking is Siemens AG. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company's business activities together with the factors likely affecting its future development are described in the Strategic report.

Going Concern

The Directors are carefully monitoring the potential impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business to 1st June 2023 . The current trading is in line with the updated forecasts and the valuation of assets and liabilities are not expected to have an adverse impact in the short term.

The Directors expect the business to operate under profitable conditions for the foreseeable future with limited cashflow implications on the business and have assessed the potential impact on the business in the short term to be manageable. This view is underpinned by business continuity planning, risk management and an integrated internal control framework. Nonetheless, the Directors acknowledge the long-term view remains a challenge and continue to monitor developments and prepare accordingly. Based on the Company's revised cash flow forecasts, the directors consider that the Company will continue the trend of previous years and will trade profitably and generate positive cash flows from operations over the next 12 months and beyond. The forecast is based on the assumption that supply chain continues to be undisrupted.

Additionally, Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by the Company are passed to Siemens AG and the Company can draw down on these facilities and make overdrafts if required. In arriving to the going concern conclusion reliance on the cash pooling overdrafts is not considered.

Based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

2. Summary of significant accounting policies and critical accounting estimates

Business combinations — Business combinations (other than those from Siemens group companies) are accounted for under the acquisition method. Siemens Industry Software Limited as the acquirer and the acquiree may have a relationship that existed before they contemplated the business combination, referred to as a pre-existing relationship. If the business combination in effect settles a pre-existing relationship, Siemens Industry Software Limited as the acquirer recognises a gain or loss for the pre-existing relationship. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Any contingent consideration to be transferred by Siemens Industry Software Limited as the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured; subsequent settlement is accounted for within equity. Acquisition-related costs are expensed in the period incurred. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are remeasured to fair value.

Business integrations from Siemens group companies are accounted for either:

- at cost in the acquiring company and goodwill is only recorded by the acquiring company if the goodwill was already an asset on the acquired company's Statement of Financial Position, or if the goodwill value was previously included in the carrying value of the acquiring company's investment in the subsidiary undertaking from which the trade has been purchased.

- at the fair value of the assets acquired and liabilities incurred or assumed at the date of exchange ('fair value'). Goodwill is recorded by the acquiring company as the difference between the fair value and the consideration paid to the selling company

Foreign currency transaction — Transactions that are denominated in a currency other than the functional currency of the entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognised. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are revalued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognised in the Statement of Income. Those foreign currency-denominated transactions which are classified as non-monetary are remeasured using the historical spot exchange rate.

Revenue recognition - The Company recognises revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account the customer's creditworthiness. Revenue is the transaction price, the Company expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the Company. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognised for each performance obligation either at a point in time or over time.

Revenues from services: Revenues are recognised over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided, i.e. under the percentage-of-completion method. Revenues are recognised over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognised as an expense immediately. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Sale of goods: Revenues are recognised at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 30 days. For licensing transactions granting the customer a right to use Siemens' intellectual property, payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Income from interest - Interest is recognised using the effective interest rate method.

Income from royalties: Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Research and development costs — Costs of research activities are expensed as incurred.

Costs for development activities are capitalised when the recognition criteria in IAS 38 are met. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses with an amortisation period of generally three to ten years.

Investments — Investments are stated at their historic cost to the Company less provisions for any impairment. The determination of the recoverable amount of an investment involves the use of estimates by management. The Company uses discounted cash flow-based methods applied to the cash-generating unit underlying the investment. These discounted cash flow calculations typically use five-year projections that are based on the financial plans. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the values and ultimately the amount of any investment impairment. For further explanation of the investment impairment testing in the period see note 18.

Goodwill — Goodwill is not amortised, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit or or a group of cash-generating units, generally represented by a segment, which is the lowest level at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or the group of cash-generating units that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit or the group of cash-generating units, to which the goodwill is allocated, exceeds its recoverable amount, an impairment loss on goodwill allocated to this cash-generating unit is recognised. The recoverable amount is the higher of the cash-generating unit's or the group of cash-generating fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. The Company determines the recoverable amount of a cash-generating unit based on its fair value less costs to sell. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods.

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired companies, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates and weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. See note 15 for further information.

Property, plant and equipment — Property, plant and equipment, is valued at cost less accumulated depreciation and impairment losses. Depreciation expense is recognised using the straight-line method. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical machinery & equipment	generally 10 years
Furniture & office equipment	generally 5 years
Equipment leased to others	generally 3 to 7 years

Impairment of property, plant and equipment — The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing of property, plant and equipment involves the use of estimates in determining the assets' recoverable amount which can have a material impact on the respective values and ultimately the amount of any impairment.

The Company's property, plant and equipment to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell and depreciation is ceased.

Income taxes — The Siemens Group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of tax payers and local tax authorities. Under the liability method, deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognised if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable the Company will realise the benefits of these deductible differences. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

Contract assets, contract liabilities, receivables–When either party to a contract with customers has performed, the Company presents a contract asset, a contract liability or a receivable depending on the relationship between the Company's performance and the customer's payment. Contract assets and liabilities are presented as current since incurred in the normal operating cycle. Receivables are recognised when the right to consideration becomes unconditional. Valuation allowances for credit risks are made for contract assets and receivables according to the accounting policy for financial assets measured at amortised cost.

Provisions — A provision is recognised in the Statement of Financial Position when it is probable that the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognised as a provision.

Financial instruments — A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company does not use the category held to maturity and does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases. For additional information refer to note 26.

Regular way purchases or sales of financial assets are accounted for at the trade date.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognised in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Receivables from finance leases are recognised at an amount equal to the net investment in the lease. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned to:

Financial assets measured at amortised cost – Loans, receivables and other debt instruments held in a hold-to-collect business model with contractual cash flows that represent solely payments of principal and interest are measured at amortised cost using the effective interest method less valuation allowances for expected credit losses.

Valuation allowances are set up for expected credit losses, representing a forward-looking estimate of future credit losses involving significant judgment. Expected credit loss is the gross carrying amount less collateral, multiplied by the probability of default and a factor reflecting the loss in the event of default. The movement on the valuation allowance is given in note 25**.** Valuation allowances are not recognised when the gross carrying amount is sufficiently collateralised. Probabilities of default are mainly derived from rating grades.

determined by SFS. A simplified approach is used to assess expected credit losses from trade receivables, lease receivables and contract assets by applying their lifetime expected credit losses. The valuation allowance for loans and other long-term debt instruments primarily held at SFS is measured according to a three-stage impairment approach:

Stage 1: At inception, 12-month expected credit losses are recognised based on a twelve months probability of default.

Stage 2: If the credit risk of a financial asset increases significantly without being credit-impaired, lifetime expected credit losses are recognised based on a lifetime probability of default. A significant increase in credit risk is determined for each individual financial instrument using credit ratings provided by SFS. A rating deterioration does not trigger a transfer into Stage 2, if the credit rating remains within the investment grade range. More than 30 days past due payments will not be transferred into Stage 2, if the delay is not credit-risk-related.

Stage 3: If the financial asset is credit-impaired, valuation allowances equal lifetime expected credit losses. A financial asset is considered credit-impaired when there is observable information about significant financial difficulties and a high vulnerability to default, however, the definition of default is not yet met. Impairment triggers include liquidity problems, a request for debt restructuring or a breach of contract. A credit-risk driven contractual modification always results in a credit-impaired financial asset.

Financial assets are written off as uncollectible if recovery appears unlikely. Generally, if the limitation period expired, when a debtor's sworn statement of affairs is received, or when the receivable is not pursued due to its minor value. Receivables are written off when bankruptcy proceedings close.

Financial liabilities — The Company measures financial liabilities, except for derivative financial instruments, at amortised cost using the effective interest method.

Cash and cash equivalents — The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost. The Company is part of a cash pooling arrangement across the worldwide Siemens group. Balances within this facility are classified as *Receivables from group companies* and *Amounts due to group companies*.

Leases

- Leases in which the Company is the lessee:

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains alease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlyingasset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

The Company has the right to direct the use of the identified asset throughout the period of use.

The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

- Leases in which the Company is the lessor:

  The Company's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Extension options for leases- When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. CU X of potential lease payments have not been included in the lease liabilities as it is not reasonably certain the extension option will be exercised.

Until last year end the leases were accounted for under IAS 17 as below:

Leases — Leases where substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. All others are deemed operating leases.

- Leases in which the Company is the lessee:

  Under finance leases, the minimum lease obligation, or if lower, the asset's fair value, is capitalised within property, plant and equipment at the commencement of the lease and depreciated over the shorter of the useful economic life and the lease term. The rental obligation is recorded as a borrowing at a similar amount. Each lease payment is allocated between liability repayment and finance charges in a way so as to achieve a constant effective interest rate on the balance outstanding. Under operating leases, the asset does not appear in property, plant and equipment and lease payments are charged to the Statement of Income on a straight-line basis over the lease term.

- Leases in which the Company is the lessor:

Under finance leases, the asset leased out is not shown in the Company's property, plant and equipment. Receivables from finance leases, in which the Company as lessor transfers substantially all the risks and rewards incidental to ownership to the customer are recognised at an amount equal to the net investment in the lease. Finance income is subsequently recognised based on a pattern reflecting a constant periodic rate of return on the net investment using the effective interest method. Under operating leases, the asset leased out appears in property, plant and equipment and lease income is credited to the Statement of Income on a straight-line basis over the lease term.

Pension costs

Defined contribution plan — The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the Statement of Income represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

Borrowing costs — The Company pays or receives interest on its intercompany cash balances. These are recognised within interest in the Statement of Income when incurred or receivable. All costs directly attributable to the cost of a qualifying asset are capitalised.

Share–based payment — The Company participates in equity-settled share-based payment plans established by its ultimate parent undertaking, Siemens AG. In accordance with IFRS 2, the fair value of awards/share matching granted is recognised as an employee expense with a corresponding increase in the capital contribution reserve in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the awards. The fair value of share-based awards such as stock awards and matching shares is determined as the market price of Siemens AG shares, taking into consideration, if applicable, dividends during the vesting period the grantees are not entitled to and certain non-vesting conditions. A small number of the Company's directors and senior managers are eligible for share options, stock awards and share matching under the plans.

Any expected payments to be made to the Company's ultimate parent undertaking, Siemens AG, in respect of these plans is deducted from the capital contribution reserve in equity over the vesting period, to the extent that expenses have been recorded. Any additional payments are charged directly to the Statement of Income.

New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2021, and have not been applied in preparing these financial statements. Those standards that have relevance to the Company are mentioned below:

Definition of a Business - Amendments to IFRS 3

The IASB issued amendments, effective for annual periods beginning on or after 1 January 2020, to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. This will be effective from 1 October 2020, however the Company is not expecting to be affected by these amendments on transition.

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The amendments effective for years beginning after 1 January 2020, however the Company is not expecting any material impact by these amendments on transition.

The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, amendments were issued to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting period beginning on or after 1 January 2022.

For the years ended September 30, 2021 and 2020 (in thousands of £)

3. Acquisitions and discontinued operations

Trade and asset acquisitions of group companies

The Company acquired the trade and assets of the following group company during the financial years ending September 30, 2021 and September 30, 2020:

Name of company acquired from	Date of acquisition	
A branch of Mentor Graphics (Ireland) Limited	August 1, 2021	Digital Industry
Part of Mentor Graphics (UK) Limited	August 1, 2021	Digital Industry
Mendix Technology Limited	April 1, 2020	Digital Industry

The principal activities of the Mentor Graphics group are the research, development and manufacture of software and the distribution of software. With this acquisition, Siemens want to simplify the organisation, align the management responsibility to achieve further synergies. Goodwill was recognised as a result of the acquisition of the trade and assets of the Mentor entities in 2021:

Total consideration transferred	6,797
Add : Value of identifiable net liabilities	2,194
Goodwill	8,991

For the years ended September 30, 2021 and September 30, 2020 the above net identifiable assets and liabilities are valued at acquisition at fair value (based on book values where appropriate). Consideration for the trade and assets acquired from group companies in both 2021 and 2020 were settled via intercompany accounts or cash.

4. Revenue

Revenue is earned from the business category of Digital Industries.

Timing of revenue recognition

The transaction price allocated to the remaining performance obligations (Unsatisfied or partially satisfied) as at 30 September 2021 are, as follows:

	2021		2020	
	Within one year	More than one year	Within one year	More than one year
Revenue	43,595	21,224	28,470	12,456
	43,595	21,224	28,470	12,456

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

5. Operating profit from continuing operations has been arrived at after charging / (crediting):

	Year ended September 30,	
	2021	2020
Net foreign exchange losses	**365**	181
Research and development costs	**3,334**	4,007
Depreciation of property, plant and equipment (see note 17)	**2,647**	2,348
Impairment of investments (see note 18)	**19,760**	4,042
Staff costs (see note 7)	**67,466**	57,506
Research and Development Expenditure Credit	**(335)**	(269)
Grants received	**(315)**	-
Auditor's remuneration:		
- audit of financial statements	**107**	88

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2020: £nil)

For the years ended September 30, 2021 and 2020 (in thousands of £)

6. Other operating (expense) / income

	Year ended September 30, 2021	2020
Profit / (loss) on disposal of property, plant and equipment and intangibles	**1**	(4)
Other	**(104)**	4
	(103)	-

7. Staff numbers and costs

	Year ended September 30, 2021	2020
Wages and salaries	**55,338**	47,106
Social security costs	**6,805**	6,201
Expenses relating to pension plans and employee benefits	**5,323**	4,199
	67,466	57,506

Expenses relating to pension plans and employee benefits include service costs for the period. Expected return on plan assets and interest costs are included in interest income and interest expense respectively.

The average number of employees (including executive directors) during 2021 and 2020 was 663 and 601, respectively (based on continuing operations). Part-time employees are included on a proportionate basis rather than being counted as full units. The employees were engaged in the following activities:

	Year ended September 30, 2021 Number	2020 Number
Manufacturing and services	**138**	132
Sales and marketing	**271**	248
Research and development	**254**	221
	663	601

8. Directors' emoluments

The directors' aggregate emoluments, including pension contributions, in respect of qualifying services were:

	Year ended September 30, 2021	2020
Emoluments receivable	**379**	357
Employer contributions to money purchase schemes	**43**	43
	422	400

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £286,998 (2020: £260,170). Two directors are members of the defined contributions scheme. None of the directors are members of a defined benefit scheme. Share-based payments are described in note 2.

For the years ended September 30, 2021 and 2020 (in thousands of £)

9. Interest income and interest expense

Interest expense is all for financial assets or liabilities that are not at fair value through the Statement of Income.

The total amounts of interest income and expense were as follows:

	Year ended September 30,	
	2021	2020
Interest income	**18**	76
Interest income - negative income on financial assets	**(109)**	(30)
Interest income, net	**(91)**	46
Interest expense	**(171)**	(21)
Interest expense - on financial lease	**-**	(61)
Interest expense, net	**(171)**	(82)
Thereof: Interest expense of operations, net	**(109)**	(30)
Thereof: Other interest expense, net	**(153)**	(6)

Since October 1, 2015 Siemens Group Treasury set negative interest rates for intercompany financing activities in various currencies. Negative interest means to pay interest on financial assets instead of receiving interest and respectively to receive interest on financial liabilities instead of paying interest.

Interest expense of operations, net includes interest income and expense arising directly from operating activities primarily related to receivables from customers and payables to suppliers, interest on advances from customers and advanced financing of customer contracts. It also includes interest income from financing agreements within the context of construction contracts and interest income and expense primarily related to discontinuing of long term provision, finance lease interest, receivables from customers and payables to suppliers. *Other interest expense, net* includes all other interest amounts primarily consisting of interest relating to corporate debt and related hedging activities, as well as interest income on corporate assets.

10. Taxes

The analysis below is in reference to the total tax expense or credit included in the Statement of Income.

	Year ended September 30,	
	2021	2020
Current tax:		
UK corporation tax	**2,028**	1,405
Foreign income taxes	**718**	136
Adjustments for prior years	**199**	(400)
	2,946	1,141
Deferred tax:		
Origination and reversal of temporary differences - current year	**100**	88
Origination and reversal of temporary differences - prior years	**(1)**	(11)
Deferred tax rate change adjustment	**(154)**	(26)
	(55)	51
Tax expense	**2,891**	1,192

Of the deferred tax credit in 2021 and the deferred tax expense in 2020, £(55)k and £51k, respectively, relate to the origination and reversal of temporary differences.

For the years ended September 30, 2021 and 2020 (in thousands of £)

For the years ended September 30, 2021 and 2020, the Company was subject to UK corporation tax at a rate of 19%. The total tax expense or credit differs from the amounts computed by applying the statutory UK tax rate as follows:

	Year ended September 30, 2021	2020
Net (loss) / profit before tax (Continuing operations)	**(977)**	7,690
Tax at 19% (2020: 19%)	**(186)**	1,462
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	**2,363**	66
Research and development tax credit	**6**	1
Tax-free gains from sales of business	**82**	-
Over provided in prior years - deferred tax	**(1)**	(11)
Under / (over) provided in prior years - current tax	**199**	(400)
Irrecoverable foreign tax	**582**	111
Deferred tax rate change adjustment	**(154)**	(26)
Rate change adjustment difference between Corporation Tax and Deferred Tax rate	**-**	(11)
Total income tax expense for the year	**2,891**	1,192

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

The Finance Act 2021 included an increase in the corporate tax rate to 25% effective from April 2023. The deferred tax assets and liabilities shown below have been measured at the enacted rate that is expected to apply when the asset is realised or the liability is settled.

Deferred tax assets and liabilities on a gross basis are summarised as follows:

	September 30, 2021	2020
Deferred tax assets:		
Property, plant and equipment	**421**	244
Pension plans and similar commitments	**2**	1
Liabilities	**223**	-
Deferred tax assets	**646**	245
Deferred tax liabilities:		
Other intangible assets	**(6)**	-
Deferred tax liabilities	**(6)**	-
Total deferred tax assets, net	**640**	245

Management considers to what extent it is probable that the deferred tax asset will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible.

For the years ended September 30, 2021 and 2020 (in thousands of £)

Deferred tax balances and (expenses)/ benefits developed as follows in the current and previous financial year:

	2021	2020
Deferred tax assets s balance as at October 1	**245**	300
Income tax presented in the Statement of income	**55**	(51)
Additions from acquisitions not impacting net income (if any)	**340**	(5)
Other (if any)	**-**	1
Deferred tax assets balance as at September 30	**640**	245

11. Trade and other receivables

	September 30, 2021	2020
Trade receivables from the sale of goods and services	**27,119**	18,956
Receivables from group companies	**32,705**	29,829
	59,824	48,785

Changes to the valuation allowance of current and long-term receivables presented in this note, which belong to the class of Financial assets and liabilities measured at amortised cost are as follows (excluding receivables from finance leases):

	Year ended September 30, 2021	2020
Valuation allowance as of beginning of the year	**222**	208
Creation	**707**	14
Valuation allowance as of end of the year	**929**	222

The ageing of trade receivables and the associated valuation allowance is as follows:

	Gross 2021	September 30, Allowance 2021	Gross 2020	September 30, Allowance 2020
Current	**21,370**	**(152)**	17,459	(66)
30 days overdue	**1,324**	**-**	846	-
31 - 60 days overdue	**922**	**-**	492	-
61 – 90 days overdue	**345**	**(370)**	185	(42)
91+ days overdue	**588**	**(407)**	196	(114)
	24,549	**(929)**	19,178	(222)

12. Contract assets and liabilities

As of 30 September 2021 and 2020, amounts expected to be settled after twelve months are £718k and £nil for contract assets and £119k and £51k, respectively, for contract liabilities. Significant changes in contract assets from business combinations are £nil and £20k and in contract liabilities £nil and £551k in fiscal 2021 and 2010, respectively. In fiscal 2021 and 2020, contract assets (presented net of allowances of £11k and £34k as of 30 September 2021 and 2020), increased with income statement impacts of £23k in 2021 and decreased due to impairments £19k in 2020. In fiscal 2021 and 2020 £nil and £nil are included in revenue, relating to performance obligations satisfied in previous periods. In fiscal 2021 and 2020, revenue includes £16.6m and £9.3m, respectively, which was included in contract liabilities at the beginning of the fiscal year.

For the years ended September 30, 2021 and 2020 (in thousands of £)

13. Inventories

		September 30,
	2021	2020
Raw materials and supplies	**-**	1
Costs of unbilled contracts	**-**	106
Finished goods and products held for resale	**14**	89
	14	196

14. Other current assets

		September 30,
	2021	2020
Other tax receivables	**(5)**	-
Prepaid expenses	**2,153**	989
	2,148	989

15. Goodwill and Other indefinite life intangibles

		September 30,
	2021	2020
Cost		
Balance at beginning of year	**14,304**	8,170
Acquisitions through business combinations (see note 3)	**8,991**	6,134
Balance at end of year	**23,295**	14,304
Accumulated impairment losses		
Balance at end of year	**-**	-
Net book value		
Balance at beginning of year	**14,304**	8,170
Balance at end of year	**23,295**	14,304

Impairment of Goodwill

The Company performed the mandatory annual impairment test for the year ended September 30, in accordance with the accounting policy stated in note 2. The recoverable amounts for the annual impairment test 2021 for the cash generating unit (CGU) were estimated to be higher than the carrying amounts. Key-assumptions on which management has based its determinations of the value in use for the CGUs' carrying amount include terminal value growth rate of 1.7% and after-tax discount rate of 9%.

For the purpose of estimating the recoverable amount of the CGU, cash flows were projected for the next five years based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions. Discount rates reflect the current market assessment of the risks specific to the division and are based on the weighted average cost of capital for the division. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

Management believes that no reasonably possible change in a key assumption would cause the carrying amount of goodwill to exceed the recoverable amount.

For the years ended September 30, 2021 and 2020 (in thousands of £)

16. Other intangible assets

	Software	Patents, licenses & similar rights	Total
Cost			
At October 1, 2020	184	-	184
At September 30, 2020	184	-	184
At October 1, 2020	**184**	**-**	**184**
Additions	**-**	**3**	**3**
Retirements	**-**	**(1)**	**(1)**
Transfers in/(out) from group companies	**-**	**42**	**42**
At September 30, 2021	**184**	**44**	**228**
Amortisation			
At October 1, 2020	184	-	184
At September 30, 2020	184	-	184
At October 1, 2020	**184**	**-**	**184**
Transfers in from group companies	**-**	**21**	**21**
At September 30, 2021	**184**	**21**	**205**
Net book value			
At September 30, 2020 and October 1, 2020	-	-	-
At September 30, 2021	**-**	**23**	**23**

For the years ended September 30, 2021 and 2020 (in thousands of £)

17. Property, plant and equipment

	Land & buildings	Furniture & office equipment	Total property, plant & equipment
Cost			
At October 1, 2019	54	4,372	4,426
Additions	-	325	325
Disposals	-	(143)	(143)
Transfers to / from group companies	2,016	43	2,059
IFRS16 adjustment Reclassifications of assets	5,186	-	5,186
At September 30, 2020	7,256	4,597	11,853
At October 1, 2020	**7,256**	**4,597**	**11,853**
Additions	**223**	**991**	**1,214**
Disposals	**(186)**	**(285)**	**(471)**
Transfers to /from group companies	**492**	**1,017**	**1,508**
At September 30, 2021	**7,785**	**6,319**	**14,104**
Accumulated depreciation and impairment			
At October 1, 2019	47	3,342	3,389
Charge for the year	1,847	501	2,348
Disposals	-	(137)	(137)
Transfers to /from group companies	327	5	332
At September 30, 2020	2,221	3,711	5,932
At October 1, 2020	**2,221**	**3,711**	**5,932**
Charge for the year	**2,108**	**539**	**2,647**
Disposals	**(185)**	**(282)**	**(467)**
Transfers to/from group companies	**94**	**650**	**744**
At September 30, 2021	**4,238**	**4,618**	**8,856**
Net book value			
At October 1, 2019	6	1,029	1,036
At September 30, 2020	5,035	886	5,921
At September 30, 2021	**3,547**	**1,701**	**5,248**

For the years ended September 30, 2021 and 2020 (in thousands of £)

Included in the above table are the below Right of use assets -

	Land & buildings	Furniture & office equipment	Total property, plant & equipment
Cost			
At October 1, 2019	5,186		5,186
Transfers to / from group companies	2,017	-	2,017
At September 30, 2020	7,203		7,203
At October 1, 2020			
Additions	222	223	445
Disposals	(185)		(185)
Transfers to /from group companies	492	183	675
At September 30, 2021	7,732	406	8,138
Accumulated depreciation and impairment			
At October 1, 2019			
Charge for the year		1,518	1,518
Transfers to /from group companies		654	654
At September 30, 2020		2,172	2,172
At October 1, 2020			
Charge for the year	2,106	23	2,129
Disposals	(185)		(185)
Transfers to/from group companies	94	43	137
At September 30, 2021	4,187	66	4,253
Net book value			
At October 1, 2020	5,186	-	5,186
At September 30, 2020	5,031	-	5,031
At September 30, 2021	**3,545**	**340**	**3,885**

As of September 30, 2021 contractual commitments for the purchase of plant, property and equipment amount to £793k (2020: £10k).

For the years ended September 30, 2021 and 2020 (in thousands of £)

18. Investments

	Shares in subsidiary undertakings
Cost	
At October 1, 2020	**25,972**
Additions	**-**
Disposals	**(4,044)**
At September 30, 2021	**21,928**
Provisions	
At October 1, 2020	**(4,042)**
Liquidations	**4,042**
Impairment	**(19,760)**
At September 30, 2021	**(19,760)**
Net book value	
At September 30, 2020 and October 1, 2020	21,930
At September 30, 2021	**2,167**

In 2021, the Company impaired the investment for Mentor Graphics UK Limited by £14,780k.

An impairment of £4,980 has been provided for the investment in Mendix Technology Limited as this entity entered the strike off process on 29 June 2021.

The Company has carried out a sensitivity analysis on the reasonable possible changes in key assumption in the impairment test for Mentor Graphics UK.

The key sensitivity would be the future transfer pricing rate applied, sensitivity on this assumption would result in the following changes to the proposed impairment in Mentor Graphics UK:
+/- 0.5% in the transfer pricing rate represents a +/- £2.1m movement in the value of the investment. As at 30 September 2021, management have determined that the rates used represent their best estimate and have recorded an impairment charge on this basis. The additional disclosure has been provided to inform the users of the accounts of the sensitives and the assessment performed by management.

The Companies and partnerships set out below are the Subsidiaries as at September 30, 2021. Shareholdings are in voting equity capital of companies registered in England & Wales and the voting equity capital is wholly owned, except where otherwise stated.

Company:	Proportion of ordinary equity and voting rights held	Nature of business
Mendix Technology Limited	100%	Software Services
Mentor Graphics UK Limited	100%	Software Services

For the years ended September 30, 2021 and 2020 (in thousands of £)

19. Trade payables

	September 30, 2021	2020
Trade and other payables	**6,888**	1,836
Amounts due to group companies	**11,486**	6,391
	18,374	8,227

20. Other current liabilities

	September 30, 2021	2020
Payroll and social security taxes	**4,764**	3,807
Bonus obligations	**3,194**	933
Other employee related costs	**2,052**	1,135
Other tax liabilities	**5,104**	7,267
Deferred income	**(22)**	-
Other accrued liabilities	**1,176**	1,192
	16,268	14,334

Other employee related costs primarily include vacation payments, accrued overtime and service anniversary awards.
Other tax liabilities include the VAT balances.

21. Post-employment benefits

Post-employment benefits provided by the Company are organised through defined contribution plans.

Defined contribution plan

The Company participates in a defined contribution pension plan. The pension cost charge for the period represents contributions payable by the Company to the Scheme and amounted to £4,583k (2020: £4,213k).

22. Provisions

Provisions changed during 2021 as follows:

	Order related losses and risks	Other	Total
Balance at beginning of year	-	77	77
Changes due to implementation of IFRS16			
Adjusted balance at beginning of year	239	-	239
Additions			
Reversals	-	(77)	(77)
Balance at end of year	**239**	**-**	**239**
Current provisions			**239**
Non-current provisions			**-**

For the years ended September 30, 2021 and 2020 (in thousands of £)

23. Share capital

Allotted, called up and fully paid:

	September 30,	
	2021	2020
8,393,105 (2020: 8,393,105) Ordinary Shares of £1 each	**8,393**	8,393

24. Share-based payments

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. Total pre tax expense for share-based payment recognised in Siemens plc net income for continuing and discontinued operations amounted to £-k and £-k for the year ended September 30, 2021 and 2020 respectively, and refers primarily to equity-settled awards.

Stock awards

The Company grants stock awards to members of the Managing Board, members of the senior management and other eligible employees. Stock awards are subject to a restriction period of about four years and entitle the beneficiary to Siemens shares without payment of consideration following the restriction period.

Stock awards are tied to performance criteria. The annual target amount for stock awards can be bound to the average of earnings per share (EPS, basic) of the past three years and / or to the share price performance of Siemens relative to the share price performance of five important competitors during the four-year restriction period. The target attainment for the performance criteria ranges between 0 % and 200 %. If the target attainment of the prospective performance-based target of Siemens stock relative to five competitors exceeds 100 %, an additional cash payment results corresponding to the outperformance.

In the year ended September 30, 2021 Siemens AG granted 5,742 (2020: 4,470) stock awards to 78 employees (2020: 66 UK employees). Details on stock award activity and weighted average grant-date fair value are summarised in the table below:

	Year ended September 30,		**Year ended September 30,**	
	Awards	**Weighted average grant-date fair value (€)**	Awards	Weighted average grant-date fair value (€)
	2021	**2021**	2020	2020
Non-vested, beginning of period	**15,824**	**73.41**	5,422	52.84
Granted	**5,742**	**79.81**	4,470	69.98
Forfeited	**(886)**	**86.04**	(633)	21.09
Transferred/Vested	**(982)**	**91.39**	(312)	-
Merger	**18,330**	**90.46**	6,877	86.50
Non-vested, end of period	**38,028**	**78.77**	15,824	73.41
Weighted average remaining years	**1.06**		1.64	

Fair value was determined as the market price of Siemens shares less the present value of dividends expected during the four year or three-year vesting period. Total fair value of stock awards granted in 2021 and 2020 amounted to €458k and €313k respectively.

Share-matching program and its underlying plan

In fiscal year 2016, Siemens issued a new tranche under each of the plans of the Share Matching Program.

For the years ended September 30, 2021 and 2020 (in thousands of £)

Share - matching plan

Under the Share Matching Plan senior managers may invest a specified part of their variable compensation in Siemens shares (investment shares). The shares are purchased at the market price at a predetermined date in the second quarter. Plan participants receive the right to one Siemens share without payment of consideration (matching share) for every three investment shares continuously held over a period of about three years (vesting period) provided the plan participant has been continuously employed by Siemens until the end of the vesting period.

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above. In the year ended September 30, 2020 Siemens AG granted 2,456 (2020: 926) shares to 184 (2020: 110) UK employees of Siemens Industry Software Limited.

Details on share matching plan activity and weighted average grant-date fair value are summarised in the table below:

	Year ended September 30,		Year ended September 30,	
	Awards	**Weighted average grant-date fair value (€)**	Awards	Weighted average grant-date fair value (€)
	2021	**2021**	2020	2020
Non-vested, beginning of period	**1,839**	**88.56**	1,583	51.39
Granted	**2546**	**68.02**	926	94.86
Forfeited	**(135)**	**79.33**	(126)	69.42
Transferred / Vested	**(1391)**	**62.24**	(575)	-
Merger	**815**	**78.01**	31	82.43
Non-vested, end of period	**3,549**	**79.71**	1,839	88.56
Weighted average remaining years	**0.85**		0.83	

Fair value was determined as the market price of Siemens shares less the present value of expected dividends taking into account non-vesting conditions. Total fair value of shares granted under the share matching plan in 2021 and 2020 amounted to €168k and €88k respectively.

25. Additional disclosures on financial instruments

This section gives a comprehensive overview of the significance of financial instruments for the Company and provides additional information on Statement of Financial Position items that contain financial instruments.

The following table presents the carrying amounts of each category of financial assets and liabilities:

	September 30,	
	2021	2020
Financial assets		
Loans and receivables	**59,957**	48,948
	59,957	48,948

For the years ended September 30, 2021 and 2020 (in thousands of £)

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

				September 30,
	2021		2020	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets measured at cost or amortised cost				
Trade and other receivables	59,824	59,824	48,785	48,785
Other current financial assets	-	-	30	30
Other assets	133	133	133	133
	59,957	59,957	48,948	48,948
Financial liabilities measured at cost or amortised cost				
Trade payables	18,374	18,374	8,227	8,227
Current financial liabilities, including short term lease liability	2,308	2,308	2,968	2,968
Long term lease liabilities	1,857	1,857	3,099	3,099
	22,539	22,539	14,294	14,294

The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other current financial liabilities and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.
Obligations under finance leases are discounted from the gross carrying value using the interest rate implicit in the lease.

Fair value hierarchy

The Company analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted price in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices): and
- Level 3: inputs for assets and liabilities, not based on observable market data.

All of the Company's derivative financial instruments as at September 30, 2021 and 2020 are categorised as level 2.

Net gains / (losses) of financial instruments are as follows:

		September 30,
	2021	2020
Loans and receivables	(893)	(228)
Financial assets / (liabilities) measured at amortised cost	(365)	(181)

Net losses (or losses) on loans and receivables contain changes in valuation allowances, gains or losses on derecognition as well as recoveries of amounts previously written off.

Net losses (or losses) on financial assets and liabilities measured at amortised cost include gains and losses on financial receivables and payables from group companies, gains and losses on other monetary Statement of Financial Position items, denominated in foreign currency. It also includes losses and recoveries of write offs on receivables, miscellaneous assets and liquid assets.

Collateral
The Company does not hold any collateral that can be sold or re-pledged in the absence of default by the owner on contractual terms. Nor does the Company pledge its financial assets as collateral to third parties.

Financial risk management

Interest rate risk

The Company's interest rate risk exposure is mainly related to interest-bearing deposits held with local banks and amounts invested with / drawn down from Siemens AG as part of the cash pooling facility across the worldwide group.

The approximate impact on the Statement of Income of a 1% fluctuation in interest rates would be £287k in 2021.

Credit risk

The Company is exposed to credit risk in connection with its external sales. Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time, if the value of financial uncertainty may cause customer default rates to increase and collateral values to decline. The effective monitoring and controlling of credit risk is a core competency of the Company's risk management system. Customer ratings analysed and individual customer limits are based on generally accepted rating methodologies, the input from external rating agencies and Siemens default experiences. Credit evaluations and ratings are performed on all customers with an exposure or requiring credit beyond a defined limit and are carefully considered in determining the conditions under which direct or indirect financing will be offered to customers. The Company's customers are principally large commercial or public sector organisations that have low credit risk. Credit risk is recorded and monitored on an ongoing basis.

Concerning trade receivables and other receivables, as well as other receivables included in *Other financial assets* that are neither impaired nor past due, there were no indications as of September 30, 2021, that defaults in payment obligations will occur.

Market risk

Market fluctuations may result in significant cash flow and profit volatility risk for Siemens Industry Software Limited. Its UK operating business as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and equity prices. To optimise the allocation of the financial resources across the Company, as well as to secure an optimal return for its shareholder, the Company identifies, analyses and proactively manages the associated financial market risks.

The Company seeks to manage and control these risks primarily through its regular operating and financing activities, and uses derivative instruments when deemed appropriate.

Management of financial market risk is a key priority for the Company's key management and directors. As a member of the Company's management, the Finance Director covers the specific responsibility for this part of the overall risk management system. At the highest level, the directors retain ultimate accountability. For practical business purposes, the directors delegate responsibilities to key management.

Any market sensitive instruments, including equity and interest bearing investments that the Company's pension plans hold are not included in the following quantitative and qualitative disclosure. For additional information see note 21.

Equity price risk

The Company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the Company.

Foreign currency exchange rate risk

Transaction risk and currency management

Transaction risk and currency management risk from Siemens' international operations expose the Company to foreign currency exchange risks in the ordinary course of business. The Company employs various strategies discussed above involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. If the Company is conducting business with international counterparties that leads to future cash flows denominated in a currency other than its functional currency it is exposed to the risk from changes in foreign exchange rates. The risk is mitigated by closing all types of business transactions (sales and procurement of products and services as well as investment and financing activities) mainly in the functional currency. In addition, the foreign currency exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies as well as production activities and other contributions along the value chain in the local markets.

The Company does not borrow or invest in foreign currencies on a speculative basis.

The Group has established a foreign exchange risk management system that has an established track record for years. The Company is responsible for recording, assessing, monitoring, reporting and hedging its foreign currency transaction exposure.

The Company defines foreign currency exposure generally as balance sheet items in addition to firm commitments which are denominated in foreign currencies, as well as foreign currency denominated cash inflows and cash outflows from anticipated transactions for the following three months.

For the years ended September 30, 2021 and 2020 (in thousands of £)

The tables below show the net foreign exchange transaction exposure by major currencies as of September 30, 2021 and 2020:

As at September 30, 2021	**US$**	**Euro**	**Other**	**Total**
Gross Statement of Financial Position exposure	**2,251**	**8,951**	**(615)**	**10,587**
Thereof: Financial asset	*4,645*	*9,285*	*758*	*14,688*
Thereof: Financial liabilities	*(2,394)*	*(334)*	*(1,373)*	*(4,101)*
Foreign exchange transaction exposure	**2,251**	**8,951**	**(615)**	**10,587**
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	225	895	(61)	1,059

As at September 30, 2020	**US$**	**Euro**	**Other**	**Total**
Gross Statement of Financial Position exposure	**5,809**	**2,323**	**(429)**	**7,703**
Thereof: Financial asset	*5,933*	*5,474*	*417*	*11,824*
Thereof: Financial liabilities	*(124)*	*(3,151)*	*(847)*	*(4,121)*
Gross exposure from firm commitments and anticipated transactions	-	-	-	-
Foreign exchange transaction exposure	**5,809**	**2,323**	**(429)**	**7,703**
Economically hedged exposure	-	-	-	-
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	581	232	(43)	770

It is Siemens AG's group policy to use 10% to analyse the sensitivity of currency fluctuations.

Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the Company mitigates liquidity risk by arranging borrowing facilities with other Siemens companies. Amounts payable to other group companies are repayable on demand, but historically other Siemens companies have not demanded repayment of these intercompany balances.

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	2021	**2022**	**2023 to 2025**	**2026 and thereafter**
Non derivative financial liabilities	**18,578**	-	-	-
Trade and other payables	**18,374**	-	-	-
Other financial liabilities	**204**	-	-	-

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2021.

The Company has £11,486k (2020: £6,391k) amounts due to group companies included in trade payables. Historically other group companies have not demanded repayment of these intercompany balances.

Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Company's ongoing operations such as property, plant, equipment and investments in working capital – e.g. inventories and trade receivables. These assets are considered in the Company's overall liquidity risk.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Siemens has established a comprehensive risk reporting covering its worldwide business units.

The balanced view of liquidity and financial indebtedness is stated in the calculation of the net liquidity amount and is used for internal management. It results from the total amount of cash and cash equivalents, amounts receivable from and due to group companies within the group cash pooling facility and finance leases with Siemens Financial Services as stated on the Statement of Financial Position. The amounts receivable and due to group companies reported below are held with Siemens AG (Siemens Financial Services division) in the group cash pooling facility. For further information, refer to the S*tatement of Cash Flows.*

For the years ended September 30, 2021 and 2020 (in thousands of £)

The following table reflects the calculation of the Company's net liquidity:

	September 30, 2021	September 30, 2020
Receivables from group companies	**28,661**	23,221
Total liquidity	**28,661**	23,221
Liabilities under leases	**2,863**	3,690
Total debt	**2,863**	3,690
Net liquidity	**25,798**	19,531

In addition to the balances above, which are held with Siemens AG in the group cash pooling facility, receivables from Siemens group companies of £4,044k (2020: £6,608k), amounts due to Siemens group companies of £11,486k (2020: £6,392k) are held outside this facility. Historically other Siemens group companies have not demanded repayment of these intercompany balances.

Capital Management

The Company defines its capital structure as net debt and equity. The primary objective of the Company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The Company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the Company's current assets and current liabilities.

The current ratio for 2021 was 3.73 (2020: 2.0). The Company also has access to Siemens AG cash pooling arrangement when necessary

26. Related party transactions

Transactions between the Company and its subsidiaries and associates are disclosed below.

(a) During the year, the Company entered into the following transactions with related parties:

	Sales of goods		Rental income and other services sold		Purchases of goods		**Rental expense and other services purchased**		**Interest income**		**Interest expense**	
	Year ended 2021	Year ended 2020	**Year ended 2021**	Year ended 2020	**Year ended 2021**	Year ended 2020	**Year ended 2021**	Year ended 2020	**Year ended 2021**	Year ended 2020	**Year ended 2021**	Year ended 2020
Other Siemens group companies	**2,589**	2,648	**2,381**	2,171	**2,504**	2,627	**3,509**	3,910	**18**	46	**220**	21

Sales of goods to related parties were made at the Company's usual list prices. Purchases were made at market price.

	Transfers of research and development Year ended 2021	Transfers of research and development Year ended 2020
Other Siemens group companies	**19,607**	17,291

(b) Year end balances arising from sales / purchases of goods:

Year end balances arising from sales / purchases of goods and services amounted to £nil (2020: £nil).

For the years ended September 30, 2021 and 2020 (in thousands of £)

(c) Year end balances arising from loans to / from related parties:

	Amounts owed by related parties		Amounts owed to related parties	
	2021	2020	**2021**	2020
Other Siemens group companies	**31,859**	29,829	**11,422**	6,391

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

27. Remuneration of key management personnel

The remuneration of the key management personnel of the Company is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	Year ended September 30,	
	2021	2020
Short-term employee benefits	**379**	357
Post-employment benefits	**43**	43

28. Lease liabilities

Company as Lessee

The following tables show the discounted lease liabilities with movements during the period and a maturity analysis of the contractual undiscounted lease payments:

	September 30,	
	2021	2020
Balance at beginning of year	**5,099**	5186
Additions	**984**	1732
Accretion of interest	**50**	61
Payments	**(2,171)**	(1,880)
Balance at end of year	**3,961**	5,099

Maturity analysis – contractual undiscounted cash flows

Year	
One year	2,171
Two years	2,198
Three years	1,464
Four years	351
Five years	145
Thereafter	62

For the years ended September 30, 2021 and 2020 (in thousands of £)

Amounts recognised in the income statement

	September 30,	
	2021	2020
Depreciation on right of use assets	**2,129**	1,845
Interest on lease liabilities	**50**	61

Amounts recognised in Statement of Cashflows

	September 30,	
	2021	2020
Total cash outflow for leases	**2,171**	1,820

Contractual Obligations

The Company has lease contracts that have not yet commenced as at September 30, 2021. The future lease obligations for these non-cancellable signed lease contracts amounted to £793k.

29. Directors' transactions

No such transactions occurred in 2021 or 2020 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the directors (or other key management personnel).

30. Subsequent events

There are no subsequent events to be disclosed.

31. Ultimate parent undertaking

The immediate parent undertaking is Siemens Beteiligungen Europa GmbH, a company incorporated in Germany. Siemens Beteiligungen Europa GmbH (HRB 234014) merged with Atecs Mannesmann GmbH in August 2021 which was subsequently renamed to Siemens Beteiligungen Europa GmbH (HRB 266700). The ultimate parent undertaking and controlling party is Siemens AG, incorporated in Germany. Copies of the group financial statements are available on the internet at http://www.siemens.com/annualreport or obtained from:

Siemens AG
Werner-von-Siemens-Strasse 1
D-80333 Munich
Germany

32. Dividends

	Year ended September 30,	
	2021	2020
Dividends Paid	**17,000**	-

A dividend of £17m was paid ot the immediate parent undertaking (see note 31) of £2 per share (2021: £nil)