SIEMENS PLC
Annual report and financial statements
Registered number 727817
September 30, 2020

SIEMENS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

COMPANY INFORMATION

Directors	A Noon C Ennis S H Kahanov
Registered number	727817
Registered office	Faraday House Sir William Siemens Square Frimley Camberley Surrey GU16 8QD
Independent auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

SIEMENS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

The directors of Siemens plc ("the Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2020.

STRATEGIC REPORT

Principal activities

Siemens plc is engaged in the manufacture, installation and sale of products in the area of industrial and building automation and drive technology. The Company also owns and leases property which is rented mainly to other group companies and external third parties through a workplace management arrangement providing fully serviced and managed office equipment. The Company also provides IT and other business infrastructure services to other Siemens group companies in the UK.

General business review

In accordance with the Siemens Group's decision to spin off its Energy business, on April 1, 2020 the Company disposed of its Gas and Power ('Energy') business to Siemens Energy Limited, another Siemens Group company. The Energy business is presented in these financial statements as a discontinued operation in FY20 and FY19 (restated). For further details see note 3.

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The Company has remained vigilant over the warning signs exhibited in the global economy and uncertainty in the United Kingdom economy. An evaluation of the potential impact of market factors is undertaken regularly by the management so that the Company can respond appropriately. This includes considering the effects of Britain's recent exit ("Brexit") from the European Union ("EU"). The recent Brexit trade deal is now being assessed by the Company, to ascertain the full impact and whether there will be any short-to-medium term impact. Hence on that basis, the agreed Brexit trade deal terms remain a risk which is being closely managed. In the meantime, there is no impact on the figures presented for the year ended and as at September 30, 2020 and 2019.

Review of Statement of Income

Continuing Operations:

Year on year revenue fell by 5% (£23m), in part due to the effects of the Coronavirus pandemic on its operating businesses due to the UK lockdown during the financial year. The operating business is expected to return to normal levels in 2021. The reduction was also due to Real Estate revenue decreasing by £10m in the year due to the disposal to Siemens Energy Limited of some of its Energy property and leasing portfolio.

Cost of sales also decreased in line with revenue by £26m (6%) leading to an overall gross profit of £58m (2019: £54m).

The Company's operating profit decreased by £3m. This year on year reduction is mainly due to lower administrative expenses in 2019 due to a cost recovery relating to a lease termination.

Net interest income decreased by £4m mainly due lower interest income as a result of reduced interest rates on intercompany deposits in the year.

Discontinued Operations:

Net income from discontinued operations increased by £28m in 2020 mainly due to the profit on disposal of the Energy business offset against the associated tax charge (see note 3 for further details).

Overall the Company made a net income for the financial year from continuing and discontinued operations of £29m (2019: £16m).

The performance in 2020 is in line with the expectations of the director, and the directors believe the results for the year reflect the ongoing trading performance of the Company.

Review of Statement of Financial Position

Total assets decreased by £122m (5%), largely due to the disposal of the assets of the Energy business on April 1, 2020, offset by the proceeds of disposal (see note 3 for further details).

Total liabilities decreased overall by £36m (5%) in the year primarily due to the disposal of the liabilities of the Energy business, offset by an increase in debt due to the implementation of IFRS 16 Leases in the year (see note 2).

Equity has decreased by £86m mainly due to the total comprehensive loss in the year including pension scheme remeasurement losses of £120m.

Review of Statement of Cash Flows

Cash flows from operating activities show an inflow of £18m in the current year compared to an outflow of £16m in the prior year. The primary driver for the inflow is mainly lower pension contributions year on year and increased cash inflow from changes in working capital in the year.

Cash flows from investing activities have resulted in an inflow of £321m compared to £13m outflow in the prior year. This is largely due to proceeds from the sale of Energy business during the year and income from sub leases to group companies.

Cash flows from financing activities show an outflow of £338m as compared to inflow of £29m in the prior year. This outflow is mainly due to an increase in the amount of intercompany cash (intercompany receivable) held during the year. The prior year was an inflow of cash due to the lower amount of intercompany cash held due to a payment of a dividend in the year.

Analysis of Financial Key Performance Indicators

Siemens plc 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 decreased by 26% compared to the prior year. The reduction in new orders is primarily driven by the disposal of the Energy business in the 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, revenue streams, products and services.

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

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

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- 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, discussions among the board of directors of the Company ("**Board**") and decision-making. All Board members are members of the SLT which plays an important business-focused and commercial role in the UK operations with representatives from each of the main businesses as well as leaders from corporate and governance functions including HR, EHS and Business Development. An explanation of how the Board of Siemens plc operates is detailed in the Corporate Governance Statement. Given the size and nature of Siemens 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, Siemens 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 Siemens company Siemens plc succeeds through its people. Fostering the health and performance of Siemens employees as well as safeguarding their working conditions is core to Siemens' social and business commitment. All our employees including apprentices and graduates are supported in growing and developing in their roles by the availability of comprehensive training programmes to equip them for both current and future roles. In addition to technical training, much development is employee-led under the 'Own Your Career' and 'My Learning World' initiatives through which employees help drive their own and the Company's future.	The Company does a lot of work with its mental health partner, Mind, ensuring employees feel equipped to cope with mental stresses and strains of life. Across the Company, mental health first aiders are part of a strategic approach to employee well-being which aims to equip our managers and employees to care for their mental and physical health. Through free access to resources and services on topics such as physiotherapy advice, nutrition and body mechanics, we commit to supporting well-being of all employees.
The views of our employees are critical in helping us continually improve ourselves as an organisation, and regular employee engagement surveys enable us to both further understand our employees' perspective and generate ideas which can benefit everyone.	The Board recognises that further work needs to be done to ensure diversity and inclusion is truly embedded in everything the Company does and several initiatives, policies and programmes are underway to achieve this. The Board has appointed a person to lead on diversity and inclusion and, as part of its on-going drive to promote diversity and inclusion, has mandated "D&I conscious inclusion" training for senior leaders. The Board is responsible for overseeing the Company's progress in closing the gender pay gap and publishes each year a Gender Pay Gap report. An evidence based action plan has been implemented in response to the Gender Pay Gap outcomes.
Employees can also make their views known through employee representative bodies, whether at a local, business or national level. These bodies provide a mechanism for ongoing dialogue between Company management and the employees' representatives on all aspects of the Company's operation.	The Company has signed up to the Race at Work Charter, an initiative, developed in partnership with Business in the Community (BiTC) and the UK Government, designed to improve outcomes for Black, Asian and Minority Ethnic employees in the UK. The Race at Work Charter embodies the same common values Siemens shares on diversity, inclusion and respect for all its staff members. In these changing times it is apt for responsible organisations to make their commitments more pronounced and public on important issues such as racial equality.
Furthermore a confidential whistle-blowing hotline called 'Tell Us' enables employees to raise concerns about any aspect of Company practices or behaviour.	One effect of the Covid-19 pandemic has been to accelerate the flexibility of how our employees work. With Siemens already committed to Employee Led Flexibility, in many cases employees are able to carry out their roles in a way which best fits their preferences and circumstances, reflecting the commitment of Siemens AG 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.

Customers, Suppliers and Business Partners

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

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.	Siemens has continued to keep its customers and suppliers informed of its Brexit preparations which have been overseen by the Board. Actions include resource planning, reviewing, and where necessary, adjusting our systems and processes and working with our supply chain in order to minimise disruption to our operations. Siemens hosted a Grid Edge Summit for Local Enterprise Partnerships and fleet operators to learn about the trends and technologies enabling decarbonisation. Siemens, ubitricity and Westminster City Council teamed up to create the UK's first fully converted EV lamppost charging street. Residents can now charge their electric vehicles at lampposts in various locations using the ubitricity "SmartSocket" technology. The project follows over 1,300 installations across London by Siemens and ubitricity with Siemens installing and maintaining the ubitricity charging technology. The partnership supports Transport for London in a shared endeavour to make electric vehicle charging accessible to every Londoner - helping to improve air quality and uptake of EV cars.
Diversity and Inclusion initiatives have focused on inclusive culture, LGBT inclusion, racial and gender equality and equal opportunities for people with disabilities. Siemens has sought to influence these topics externally through influencing and collaboration with customers, suppliers and other Siemens businesses through workshops, hosting webinars and on social media.	Siemens has joined the Buy Social Corporate Challenge, an initiative aimed at embedding positive social and environmental impact into everyday business spend. The UK Government-backed Challenge sees a group of businesses committed to collectively spend £1 billion with social enterprise suppliers. Examples of workshops focused on promoting an inclusive culture include collaborative workshops with https://www.wisecampaign.org.uk/ and http://www.stonewall.org.uk/. Siemens also sponsors the Engineering Talent Awards which aims to celebrate the diversity of the engineering and technology profession.

Communities and Environment

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

Engagement	Key topics, decisions and outcomes influenced by this stakeholder group
Siemens supports charitable endeavours of its employees and customers.	Every employee gets two paid volunteering days every year to participate in community initiatives. Siemens has a national partnership with Teach First, who aim to address educational disadvantage, and Greenpower, an organisation that supports children to build and race electric cars. Both partnerships provide volunteering and fund-raising opportunities for employees across the UK as well as supporting our educational goals of widening the pool of students considering STEM careers. Additionally, Ms Angela Noon is a member of the BiTC's Education Leadership Team which aims to increase collaboration between business and schools so that firms have the greatest positive impact on education possible. In April 2020 Siemens created the Caring Hands COVID 19 Relief Fund for employees worldwide to donate where they can, with matched funding by Siemens, to help those affected by the pandemic. In the UK the donations were given to help those in need in the UK by supporting The Trussell Trust and their network of 1,200 food banks.
Siemens holds memberships with various sustainability member bodies including ICER, IEMA and the Aldersgate Group and regularly participates in forums to promote the business case for sustainability initiatives.	Responding to the UK Government's Ventilator Challenge at the start of the coronavirus pandemic a team from across various Siemens businesses enabled the Ventilator Challenge UK consortium to achieve its target of producing 13,500 medical devices in just 12 weeks. Using Siemens' digital enterprise portfolio the team were able to design, validate and deliver a sub-assembly factory with manufacturing capacity for 1,500 ventilators per week within four weeks, against an industry norm of over 12 months. Together with a member of the managing board of Siemens AG, Mr Carl Ennis was a guest speaker in an online interactive webinar organised by the Financial Times, in partnership with Siemens, bringing together policy-makers and innovators on how best to solve London's toughest challenges around safety, air quality and transportation. The briefing was focused on developing a city-wide digital transformation and strategies needed for London to become an agile, smart and sustainable destination. Mr Ennis has also recently taken up a post as chair of Net Zero North West which is an industry led cluster driving investment into the net zero economy and post Covid-19 green recovery. Siemens aims to achieve a worldwide net zero carbon footprint by 2030. During the year the Company reviewed and approved its Sustainability Statement.

Government, Regulators and Trade Associations

Continuous dialog with policy-makers is extremely important for the success of a global company like Siemens

Engagement

Siemens is politically neutral, but we operate in markets which are shaped by UK Government policy, either directly or indirectly. We are also providers of solutions to some of the most pressing issues facing the planet, such as digitization, de-carbonization and urbanization. As a result, we are regularly consulted on economic and policy issues by governments, business associations and civil society.

Our external engagement is governed in full accordance with our Company commitment to responsible and sustainable business. In doing so, we often meet with policymakers directly. We also engage through memberships of industry organisations such as the CBI, Make UK and the Northern Powerhouse Partnership. These allow Siemens to engage with peers and regulators to discuss emerging policies, regulation, and innovation.

Key topics, decisions and outcomes influenced by this stakeholder group

Siemens engages with policymakers at all levels of UK Government, and on a cross-party basis.

Recently, for example, members of our SLT have had meetings and discussions with the Department for Business, Energy and Industrial Strategy (BEIS), to discuss and understand the UK Government's response to Covid-19 and to help the Company prepare for Brexit.

Engagement with Make UK has included employment policy implications of Covid-19 such as the furlough scheme and the Skills Survey post Covid-19. Dialogue has covered the Shortage Occupation List and apprentices, and meetings held with the Department for Work and Pensions on issues connected to the Good Work Plan.

Similarly, through participation in several CBI policy committees, the Directors have met and discussed a range of other topics with representatives of the UK Government including, the UK's net zero target and infrastructure plans.

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

The main aim of the Vision 2020+ strategy is to give Siemens' individual Businesses significantly more entrepreneurial freedom under the strong Siemens brand in order to sharpen their focus on their respective markets. The strategic decisions of the Siemens AG Group influence the decisions taken by the Board which, in turn, adapts the Group strategy for the UK market taking into account UK customer and employee needs. The Directors and SLT have strong relationships with all key stakeholders across the wider Siemens Group to ensure the global strategy and expectations are understood and considered as part of the Company's strategic decisions for the UK.

Key topics, decisions and outcomes influenced by this stakeholder group

The Board and SLT participate in Siemens forums and conferences at a global and UK level. Employees are also 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 March 5, 2021 and signed on its behalf by

Kahanov Sharon

Digitally signed by Kahanov Sharon
DN: cn=Kahanov Sharon, o=Siemens, email=sharon.kahanov@siemens.com
Date: 2021.03.08 12:00:35

S H Kahanov

Company Secretary

DIRECTORS' REPORT

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

A Noon	
S E A Davina	Resigned 1 June 2020
S H Kahanov	Appointed 1 June 2020
C Ennis	Appointed 1 Dec 2019
J Maier	Resigned 31 Dec 2019

None of the directors holding office at September 30, 2020 had notified a beneficial interest in any contract to which the Company 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 did not recommend any dividend in 2020 (2019: £875m).

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company received a net credit of £172k (2019: £1,609k) on research and development.

FINANCIAL INSTRUMENTS

The Company’s financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 29 to the financial statements.

GOING CONCERN

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. Nonetheless, the directors acknowledge the long term view remains a challenge and continue to monitor developments and prepare accordingly.

Based on the Company's 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. Additionally the Company holds sufficient liquid funds at the year end. The directors believe there is sufficient liquidity available (see note 11) to cover any severe downturn scenario, accordingly the directors have a 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)

All the SECR data requirements for unquoted 'large' companies have been met and the energy consumption and emissions are reported below. 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 2019 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 consumption used to calculate emissions: kWh – optional to provide separate figures for gas, electricity, transport fuel and other energy sources	40,901,740
Gas Consumption (kWh)	12,496,653
Electricity Consumption (kWh)	14,140,007
Transport fuel (kWh)	14,265,080
Emissions from combustion of gas tCO2e (Scope 1)	2,298
Emissions from combustion of fuel for transport purposes tCO2e (Scope 1)	3,215
Emissions from business travel in rental cars or employee -owned vehicles where company is responsible for purchasing the fuel tCO2e (Scope 3)	400
Emissions from purchased electricity tCO2e (Scope 2, location -based)	3,302
Emissions from purchased electricity tCO2e (Scope 2, market -based)	26
Total gross CO2e based on above	9,241
Intensity ratio: tCO2e gross figure based from mandatory fields above/ £100,000 turnover	1.95

In the period covered by the report the Company has piloted an Internal Carbon Price for site based gas and electricity consumption. The ICP was used to fund energy efficiency and carbon reduction projects to support the business on its path to Carbon Neutrality by 2030. Of relevance to this Siemens legal entity were an Energy Management project which established and tested a process to identify and then lower sites energy baseload. This resulted in an average 10% energy reduction from turning off equipment that would normally be left on when not in use. The ICP also funded a 6 week agile project to establish a detailed roadmap of actions required for Siemens UK Smart Infrastructure and Digital Industries businesses to achieve Carbon Neutrality by 2030 and to also improve energy efficiency. This covered all of the energy use and emissions included within this report.

In addition, the business has continued to be certified to ISO50001:2018 for six key sites and its fleet. Actions taken within the ISO50001 management system include: designing in energy efficiency to the planned refurbishment of offices and commencing work on linking a key manufacturing site to a local hydro power project.

In the period covered by the report the Company has purchased 7597 MWh of renewable electricity via a REGO green tariff.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

For the financial year ended September 30, 2020, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies published by the Financial Reporting Council (FRC) in December 2018. The Wates Principles offer the Company an opportunity to demonstrate good practice and assess its corporate governance arrangements. Set out below are details of how these six broad Principles are applied throughout its business.

Principle 1 – Purpose and Leadership

The Company is a member of the Siemens AG group of companies ("Group") and as such the strategic decisions of the Group have a major influence on the decisions of the Company. The purpose of Siemens is to serve society, create value for all stakeholders and make real what matters.

The board of directors of the Company ("Board") is responsible for developing and promoting the Group's purpose in the UK and ensuring that the following values, strategy and culture align with that purpose:-

Values – to act responsibly, excellent and innovative.

Strategy – the Group's four strategic priorities are: customer impact (putting customer impact at the very centre of Siemens); empowered people (driving progress through empowerment); technology with purpose (innovative technology will remain at the core of the future we are building) and growth mindset (being open to change, to new ways of working, always learning).

Ownership Culture – comprises of five elements: values; behaviours; leadership; people orientation and equity with a guiding principle of 'Always act as if it were your own company'. These elements and the power of our ownership culture are a unifying force within Siemens. The Group strives to further improve in the important aspects of leadership, openness, diversity and innovation.

The Group had previously announced the Vision 2020+ strategy program, in August 2018, to increase the individual Siemens businesses entrepreneurial freedom to sharpen its customer focus and orient its activities to the requirements of the industries in which it operates. As part of this program in April 2020, the Group completed the carve out of its Gas and Power segment into a separately managed company along with a spin-off of the new company with a subsequent public listing in September 2020. As a result of this, core focus of the Group is now mainly on three businesses - Smart Infrastructure, Digital Industries and Mobility.

Further details on the Company's Board and the way it functions can be found in the Strategic Report and other sections of this statement.

Principle 2 – Board Composition

Board membership is comprised of the Chief Executive Officer, Chief Financial Officer and General Counsel who have high levels of experience and knowledge of their respective functions and bring together business, commercial, financial and legal skills and expertise. The Board believes that its size, diversity and experience are appropriate to meet the strategic needs and challenges of the business and to enable effective decision-making. The Board has ultimate responsibility for promoting diversity and inclusion and this is also evident at Board level with the Board being gender and ethnically diverse.

Principle 3 – Director Responsibilities

The directors occupy positions of authority within the Siemens organisation and are jointly responsible for the management of the Company, leading and directing the affairs of the Company having regard to its business policy and corporate strategy. The Board receives regular updates on business and financial performance, human resources, legal, compliance, and environmental, health and safety matters. The Board has reserved certain principal matters for its own approval whilst the day to day management of the Company is undertaken by the CEO and the Senior Leadership Team ("SLT"). All Board members are members of the SLT which plays an important business-focused and commercial role in the UK operations with representatives from each of the main businesses as well as leaders from corporate and governance functions including HR, EHS and Business Development.

Further corporate governance practices applied beyond legal requirements are contained in the Siemens Business Conduct Guidelines which are binding for all Siemens employees. The Siemens Business Conduct Guidelines provide the ethical and legal framework within which Siemens wants to conduct its activities and remain on course for success. They contain the basic principles and rules for conduct within the Company and in relation to its external partners and the general public. They set out how Siemens meets its ethical and legal responsibility as a company and give expression to our company values: 'Responsible' – 'Excellent' – 'Innovative'.

The Siemens compliance system aims to ensure that its business practices comply with the Business Conduct Guidelines and obey all applicable laws. To this end, and to protect against compliance risks, the Siemens compliance system combines strong governance at company and group level with the presence of qualified compliance officers. They work closely with management and indeed all employees who assume personal responsibility for compliance in their respective areas. Secure reporting channels are in place for all employees and external stakeholders to report violations of external and internal rules.

Principle 4 – Opportunities and Risk

The Board follows the Group's values when considering the impact of key decisions. The Group is setting the course for long-term value creation through accelerated growth and stronger profitability with a simplified and leaner company structure. Implementation of Vision 2020+ the recent group restructuring enables Siemens to sharpen its customer focus and orient its activities on the requirements of the industries in which it operates. More information on the risk management is set out in the Strategic Report.

Principle 5 – Remuneration

The executive remuneration is set by Siemens AG and structures are aligned across all Global Senior Managers (Senior Manager). Criteria considered for the appropriateness of remuneration are economic situation, company performance, future prospects and alignment with market practice. Furthermore it is based on the following principles:

Compensation linked to performance: The Company's size and economic position is also to be reflected in Senior Manager's compensation. Exceptional achievements are to be adequately rewarded, while falling short of targets results in an appreciable reduction in compensation.

Ensuring competitiveness: In order to attract outstanding candidates for the Senior Manager roles and to retain them for the long term, compensation should be attractive compared to that offered by competitors.

Focus on successful, sustainable management of the Company: Senior Managers are expected to make a long-term commitment to and on behalf of the Company. As a result, they can benefit from any sustained increase in the Company's value. For this reason, a substantial portion of their total compensation is linked to the long-term performance of the Siemens shares.

Based on these principles Senior Manager's remuneration comprises both non-performance-based and performance-based elements and is divided into three main components: base compensation, short-term variable compensation and long-term stock based compensation.

Base compensation: Each Senior Manager receives base compensation for performing his or her duties. This compensation is paid in 12 monthly instalments. Base compensation is defined taking into consideration individual performance and salary benchmark of the role.

Short-term variable compensation (Bonus): The Management Bonus scheme is mandatorily applied to all Senior Managers globally. The plan design is focusing on high level business targets in line with external market trends and consistent to the bonus system of the Siemens AG Managing Board. Each Senior Manager will be given an on-target Bonus that is defined as a percentage of basic compensation. The percentage depends on the internal and external benchmark of the role. The pay out amount of the Bonus depends on the Company's business performance during the past fiscal year.

Long-term stock-based compensation (Siemens Stock Awards): Senior Managers are expected to make a long-term commitment to and on behalf of the Company. For this reason, a substantial portion of each Senior Manager's total compensation is tied to the long-term performance of the Siemens AG share.

Benefits: Siemens offers a broad portfolio of benefits to all employees such as pensions, private medical, employee discounts to name a few.

Similar principles and remuneration structures are applied to the rest of the Siemens workforce as appropriate.

Principle 6 – Stakeholder Relationship and Engagement

Information on this principle is set out in the Strategic Report on pages 2 to 6 in the section172 statement.

SUBSEQUENT EVENTS

On 20 November 2020, the High Court released another ruling regarding a claim involving Lloyds Banking Group's defined benefit pension schemes. The court has now concluded that schemes should be amended in order to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits on certain historic transfers out. The issues determined by the court have a potential consequence for many other defined benefit pension schemes. We are currently working with the trustees of our pension scheme, and our actuarial and legal advisors, to understand the extent to which the judgement crystalises additional liabilities. We have been advised by our actuaries based on their initial assessment and best estimate that the impact on this financial statement is unlikely to be material.

The impact of Brexit is discussed on page 1 in the Strategic report.

STATEMENT OF ENGAGEMENT WITH EMPLOYEES

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. More information can be found in the section 172 statement on pages 2 to 6.

STATEMENT OF ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE COMPANY

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. More information can be found in the section 172 statement on pages 2 to 6.

GROUP POLICIES

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.

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 489 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors on March 5, 2021 and signed on its behalf by

Kahanov Sharon

Digitally signed by Kahanov Sharon
DN: cn=Kahanov Sharon,
o=Siemens,
email=sharon.kahanov@siemens.com
Date: 2021.03.08 11:59:36

S H Kahanov
Company Secretary

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

YEAR ENDED SEPTEMBER 30, 2020

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 Financial Reporting Standards (IFRSs) 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 IFRSs 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 IFRSs 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS PLC

Opinion

We have audited the financial statements of Siemens Plc for the year ended September 30, 2020 which comprise the Statement of Income, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 34, 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 September 30, 2020 and of its net income 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.

Emphasis of matter – disclosures in relation to the impact of COVID-19

We draw attention to Note 1 of the financial statements, which describes the financial and operational consequences the Company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 with 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 there is 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 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 13, 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.

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

Sarah Kokot (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

9 March 2021

SIEMENS PLC

STATEMENT OF INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

	Note	**2020**	2019 (Restated)
Revenue	4	**472,967**	495,811
Cost of sales		**(415,081)**	(441,451)
Gross profit		**57,886**	54,360
Research and development credit, net		**172**	1,609
Marketing and distribution expenses		**(45,054)**	(49,618)
Administrative expenses		**(12,450)**	(4,810)
Other operating (expenses) / income	6	**(1,046)**	1,170
Operating (loss) / profit	5	**(492)**	2,711
Interest income	9	**4,136**	9,674
Interest expenses	9	**(11,573)**	(10,781)
Interest income from pension plans and similar commitments, net	9	**15,611**	13,587
Income from continuing operations before income taxes		**7,682**	15,191
Income tax expense	10	**(14,683)**	(7,832)
(Loss) / income from continuing operations, net of income taxes		**(7,001)**	7,359
Income from discontinued operations, net of income taxes	3	**36,042**	8,303
Net income for the financial year		**29,041**	15,662

SIEMENS PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

	Note	**2020**	2019
Net income for the financial year		**29,041**	15,662
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans (losses) / gains	24	**(152,244)**	260,335
Deferred tax credit / (charge) on remeasurement (losses) / gains		**31,881**	(43,882)
Effect due to asset ceiling in respect of the defined benefit pension scheme	24	**-**	(2,203)
Total items that will not be reclassified to profit or loss		**(120,363)**	214,250
Items that may be reclassified subsequently to profit or loss			
Gains / (losses) on derivative financial instruments	29	**1,217**	(28)
Deferred tax (charge) / credit on gains / (losses) on derivative financial instruments		**(66)**	5
Total items that may be reclassified subsequently to profit or loss		**1,151**	(23)
Other comprehensive (loss) / income, net of income taxes		**(119,212)**	214,227
Total comprehensive (loss) / income		**(90,171)**	229,889
Attributable to: Owners of the Company		**(90,171)**	229,889

SIEMENS PLC

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

	Note	2020	2019
ASSETS			
Cash and cash equivalents		**903**	-
Trade and other receivables	11	**1,053,040**	792,875
Other current financial assets	12	**1,296**	3,410
Contract assets	4	**25,879**	53,721
Inventories	14	**27,420**	39,332
Current income tax assets		**-**	3,151
Other current assets	15	**4,286**	10,409
Total current assets		**1,112,824**	902,898
Goodwill	16	**148,402**	315,850
Other intangible assets	17	**17,099**	33,003
Investment properties	18	**3,556**	3,842
Property, plant and equipment	18	**51,040**	108,728
Other financial assets	19	**36,237**	2,249
Pension plans and similar assets	24	**696,094**	820,588
Other assets		**244**	194
Total non-current assets		**952,672**	1,284,454
Total assets		**2,065,496**	2,187,352
LIABILITIES AND EQUITY			
Short-term debt	23	**31,564**	15,120
Trade and other payables	21	**78,801**	127,490
Other current financial liabilities	20	**1,707**	4,888
Contract liabilities	4	**20,963**	66,466
Current provisions	25	**7,803**	8,861
Current income tax liabilities		**46,547**	-
Other current liabilities	22	**81,843**	76,561
Total current liabilities		**269,228**	299,386
Long-term debt	23	**277,930**	257,250
Post-employment benefits	24	**-**	614
Provisions	25	**5,242**	10,730
Other liabilities		**4,195**	8,572
Other financial liabilities		**-**	190
Deferred tax liabilities	10	**125,273**	141,373
Total non-current liabilities		**412,640**	418,729
Total liabilities		**681,868**	718,115

SIEMENS PLC

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

	Note	2020	2019
Equity			
Share capital	26	**1,000**	1,000
Capital contribution reserve		**418,427**	418,516
Cash flow hedging reserve		**-**	(1,151)
Retained earnings		**964,201**	1,050,872
Total equity		**1,383,628**	1,469,237
Total liabilities and equity		**2,065,496**	2,187,352

These financial statements were approved and authorised for issue by the board of directors on March 5, 2021 and were signed on their behalf by:

Noon Angela

Digitally signed by Noon Angela
Date: 2021.03.08 11:17:44 Z

A Noon
Director
Siemens plc
Registered number: 727817

SIEMENS PLC

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

	Note	**2020**	2019
Cash flows from operating activities			
Net income for the financial year		**29,041**	15,662
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation and amortisation	5, 17, 18	**21,028**	21,493
Income tax expenses	10	**65,517**	9,780
Interest expenses, net	9	**7,437**	1,128
Defined benefit pension income in Statement of Income	24	**(15,181)**	(9,593)
Gain on sale of investments / operations	3	**(92,079)**	-
Losses / (gains) on disposal of property, plant and equipment, net	6	**597**	(3,038)
Impairment of property, plant and equipment	5, 18	**121**	119
Other non-cash expenses / (income)		**1,217**	(28)
Operating profit before changes in working capital and provisions		**17,698**	35,523
Changes in assets and liabilities			
Inventories		**1,648**	(14,556)
Contract assets		**(21,711)**	(9,088)
Trade and other receivables		**(12,223)**	(2,085)
Other current assets		**5,378**	(380)
Trade payables and accrued expenses		**(24,346)**	12,769
Contract liabilities		**21,325**	(21,034)
Current provisions		**4,085**	1,341
Other current liabilities		**44,630**	(10,173)
Long-term assets		**(118)**	2,631
Long-term liabilities		**(9,571)**	(236)
Cash generated from / (used in) operations		**26,795**	(5,288)
Income taxes paid		**-**	(97)
Interest (paid) / received		**(6,578)**	4,353
Defined benefit pension contributions paid	24	**(1,976)**	(14,639)
Cash flows from operating activities		**18,241**	(15,671)
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	17, 18	**(7,878)**	(16,963)
Disposal of intangibles and property, plant and equipment	17, 18	**-**	3,990
Disposal of business, net of cash disposed	3	**313,349**	-
Finance lease repayment receipts		**15,164**	-
Cash flows from investing activities		**320,635**	(12,973)

SIEMENS PLC

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

	Note	**2019**	2018
Cash flows from financing activities			
Change in financing from other group companies	11, 21	**(309,887)**	903,631
Dividends paid	34	**-**	(875,000)
Repayment of lease liabilities		**(28,086)**	-
Cash flows from financing activities		**(337,973)**	28,631
Change in cash and cash equivalents		**903**	(13)
Cash and cash equivalents at the end of the year		**903**	-

The cash flow statement above includes the movements from continuing and discontinued operations. During the year the Company classified its Energy business as discontinued. The cash and cash equivalents balance as at March 31, 2020 within this division was £nil (see note 3). The significant balances for the Energy business were as below:

	2020	2019
Net cash provided by operating activities - discontinued operations	**(67,895)**	33,267
Net cash (used in) investing activities - discontinued operations	**(924)**	(2,352)
Net cash provided by / (used in) financing activities - discontinued operations	**68,819**	(30,915)

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 PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

	Note	**Share capital**	**Capital contribution reserve**	**Cash flow hedging reserve**	**Retained earnings**	**Total equity**
Brought forward October 1, 2018 (Unadjusted)		1,000	418,650	(1,128)	1,695,960	2,114,482
Net income for the financial year		-	-	-	15,662	15,662
Other comprehensive income, net of income taxes		-	-	(23)	214,250	214,227
Total comprehensive income for the financial year		-	-	(23)	229,912	229,889
Equity settled share based payments		-	(814)	-	-	(814)
Recharge from ultimate parent undertaking		-	814	-	-	814
Deferred Tax on share based payments		-	(134)	-	-	(134)
Dividends to equity holders	34	-	-	-	(875,000)	(875,000)
Balance at September 30, 2019		1,000	418,516	(1,151)	1,050,872	1,469,237
Brought forward October 1, 2019		**1,000**	**418,516**	**(1,151)**	**1,050,872**	**1,469,237**
Adjustment from adoption of IFRS 16		**-**	**-**	**-**	**4,377**	**4,377**
Brought forward October 1, 2019 (Adjusted)		**1,000**	**418,516**	**(1,151)**	**1,055,249**	**1,473,614**
Net income for the financial year		**-**	**-**	-	**29,041**	**29,041**
Other comprehensive income, net of income taxes		**-**	**-**	**1,151**	**(120,363)**	**(119,212)**
Total comprehensive income for the financial year		**-**	**-**	**1,151**	**(91,322)**	**(90,171)**
Equity settled share based payments		**-**	**145**	**-**	**-**	**145**
Recharge from ultimate parent undertaking		**-**	**(145)**	**-**	**-**	**(145)**
Deferred Tax on share based payments		-	**(89)**	-	-	**(89)**
Tax related to share schemes		**-**	**-**	**-**	**274**	**274**
Balance at September 30, 2020		**1,000**	**418,427**	**-**	**964,201**	**1,383,628**

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 plans. 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. Further details in respect of the share-based payment plans for all Siemens group companies in the UK have been made in note 28.

Other comprehensive income: Other comprehensive income is allocated to retained earnings with the exception of £1,151k (2019: £(23)k) which relates to gains /(losses) on derivative financial instruments. This was allocated to the cash flow hedging reserve which was disposed of with the Energy business in the year.

Dividends to equity holders: A dividend of £nil was paid in the year (2019: £875m).

1. Basis of presentation

The accompanying financial statements present the operations of the Company and have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with requirements of the Companies Act 2006. The financial statements were authorised for issue by the Board of Directors on March 5, 2021. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

Siemens plc 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. Siemens plc is a United Kingdom based company incorporated in England and Wales with a balanced portfolio of activities.

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 2020. 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 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. Nonetheless, the directors acknowledge the long term view remains a challenge and continue to monitor developments and prepare accordingly.

Based on the Company's 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. Additionally the Company holds sufficient liquid funds at the year end. The directors believe there is sufficient liquidity available (see note 11) to cover any severe downturn scenario, accordingly the directors have a 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 plc 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 plc 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 plc 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.

Sales from construction-type contracts: 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.

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. In addition, the Company needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

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 as described above. 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.

Government grants — Government grants are recognised when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciations accordingly. Grants awarded for other than non-current assets (grants related to income) are reported in the Statement of Income under the same functional area as the corresponding expenses. They are recognised as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are recorded as deferred income.

Product-related expenses — Provisions for estimated costs related to product warranties are recorded in Cost of sales at the time the related sale is recognised.

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.

Government grants for research and development activities are offset against research and development costs. They are recognised as income over the periods in which the research and development costs incur that are to be compensated. Government grants for future research and development costs are recorded as deferred income.

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.

Dividends: Dividends are recognised when the right to receive payment is established.

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 represented by a Division or equivalent, 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 that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit, 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 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 economic trends. In determining recoverable amounts, discounted cash flow calculations use five-year projections that are based 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. 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 16 for further information.

Other intangible assets — The Company amortises intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to five years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships and technology. Useful lives in specific acquisitions ranged from four to twenty years for customer relationships and from five to twenty-five years for technology.

Investment property — These are freehold properties held to earn rental income or gain capital appreciation. Leasehold properties are shown gross of the leasehold payables (which are accounted for as finance lease obligations). The properties are first measured at cost (including transaction costs), and subsequently held at cost at each Statement of Financial Position date. Additions include costs of a capital nature, and depreciation is provided based on the property's estimated useful life. The fair value disclosed for investment property is primarily based on a discounted cash flow approach except for certain cases which are based on appraisal values.

The gain or loss arising on the sale of a property is the difference between sales proceeds, less selling costs, and the brought forward carrying amount (plus additions in the period). This is recognised in the Statement of Income.

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
Investment properties	40 to 50 years
Other buildings	5 to 10 years
Leasehold improvements	2 to 15 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 and other intangible assets — The Company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets with indefinite useful lives as well as intangible assets not yet available for use are subject to an annual impairment test. Impairment testing of property, plant and equipment and other intangible assets 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 and other intangible assets to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell and depreciation is ceased.

Discontinued operations and non-current assets held for disposal — Discontinued operations are reported when a component of an entity is classified as held for disposal or has been disposed of, if the component represents a separate major line of business or geographical area of operations and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. In the Statement of Income, income (loss) from discontinued operations is reported separately from income and expenses from continuing operations; prior periods are presented on a comparable basis. In the Statement of Cash Flow, the cash flows from discontinued operations are presented separately from cash flows of continuing operations; prior periods are presented on a comparable basis.

The Company classifies a non-current asset or a disposal group (outside discontinued operations) as held for disposal if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held for disposal and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortisation ceases. The determination of the fair value less costs to sell includes the use of estimates and assumptions that tend to be uncertain.

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, Siemens 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.

Inventories — Inventories are valued at the lower of acquisition or production costs and net realisable value, cost being generally determined on the basis of an average or first-in, first-out method.

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 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 in accordance with 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.

Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations, legal and regulatory proceedings. The Company records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards, as well as estimates involving warranty costs and estimates regarding project delays including the assessment of responsibility splits between the contract partners for these delays. Uncertainties regarding asset retirement obligations include the estimated costs of decommissioning and final waste storage because of the long time frame over which future cash outflows are expected to occur including the respective interest accretion. The estimated cash outflows could be impacted significantly by changes of the regulatory environment.

Legal proceedings often involve complex legal issues and are subject to substantial uncertainties. Accordingly, considerable judgment is part of determining whether it is probable that there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a legal proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. Internal and external counsels are generally part of the determination process. Due to new developments, it may be necessary, to record a provision for an ongoing legal proceeding or to adjust the amount of a previously recognised provision. Upon resolution of a legal proceeding, the Company may incur charges in excess of the recorded provisions for such matters. The outcome of legal proceedings may have a material effect on the Company's financial position, its results of operations and or its cash flows.

For further explanation of the movement in provisions in the year see note 25.

Termination benefits — Termination benefits are provided as a result of an entity's offer made in order to encourage voluntary redundancy before the normal retirement date or from an entity's decision to terminate the employment. Termination benefits in accordance with IAS 19, Employee Benefits, are recognised as a liability and an expense when the entity can no longer withdraw the offer of those benefits.

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. Based on their contractual cash flow characteristics and the business model they are held in, 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 29.

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 11**.** Valuation allowances are not recognised when the gross carrying amount is sufficiently collateralised. Probabilities of default are mainly derived from rating grades determined by Siemens Financial Services Limited (SFS), another group company. 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.*

Derivative financial instruments — Derivative financial instruments, such as foreign currency exchange contracts, are measured at fair value and classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognised either in the Statement of Income or, in the case of a cash flow hedge, in line item *Other comprehensive income*, net of income taxes (applicable deferred income tax). Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

Fair value hedges — The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. Where an unrecognised firm commitment is designated as the hedged item, the subsequent cumulative change in its fair value is recognised as a separate financial asset or liability with corresponding gain or loss recognised in net income. For hedged items carried at amortised cost, the adjustment is amortised until maturity of the hedged item. For hedged firm commitments the initial carrying amount of the assets or liabilities that result from meeting the firm commitments are adjusted to include the cumulative changes in the fair value that were previously recognised as separate financial assets or liabilities.

Cash flow hedges — The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognised in line item *Other comprehensive income*, net of income taxes (applicable deferred income tax), and any ineffective portion is recognised immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

Leases

The company leases properties, motor vehicles and IT equipment and further sub leases it to other Siemens group companies and external parties. Under IFRS 16, a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

Initial recognition

At the commencement date a lessee recognises a right-of-use asset and a lease liability

At the commencement date a lessee measures a right-of-use asset at cost. The cost of the right of use asset includes-

- the initial measurement of the lease liability measured at the present value of the lease payments payable over the lease term, discounted at the implicit rate in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee will use their incremental borrowing rate
- the lease payments made before or after commencement, less the lease incentives received
- any initial direct costs incurred by the lessee and
- an estimate of the costs incurred by the lessee upon disassembling and eliminating the underlying asset, restoring the place where it was located or restoring the underlying asset to the condition required by the terms of the lease.

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively.

Subsequent measurement of the right-of-use asset

After the commencement date, the Company measures its right-of-use asset using a cost model and depreciation is recognised on a straight-line basis over the lease period. Adjustments are made to the carrying value of the right-of-use asset where the lease liability is re-measured, as stated in the below. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in Impairment of property, plant and equipment and other intangible assets.

Subsequent measurement of the lease liability

After the commencement date, the Company measures a lease liability:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- measuring the carrying amount again to reflect the new measurements or changes in the lease and to reflect the in-substance fixed lease payments that have been reviewed.

Lessor

The Company leases mainly land and buildings along with motor vehicles and IT equipment. Rental contracts are typically made for fixed periods and lease terms are negotiated on an individual basis and contain a wide range of difference terms.

Leases are classified as either finance or operating leases, determined based on whether substantially all the risks and rewards incidental to ownership of an underlying asset are transferred. If this is the case, the lease is classified as a finance lease; if not, it is an operating lease. Receivables from finance leases are recognized at an amount equal to the net investment in the lease. The assets underlying the operating leases are presented in Property, plant and equipment and depreciated on a straight-line basis over their useful lives or to their estimated residual value. Operating lease income is recognized on a straight-line basis over the lease term.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head-lease, not with reference to the underlying asset. If a head-lease is a short-term lease to which the Company applies the practical expedients in IFRS 16, it classifies the sub-lease as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company’s net investment outstanding in respect of the leases.

Although the risks associated with rights that the Company retains in underlying assets are not considered to be significant, the Company employs strategies to further minimise these risks. For example, any risks such as wear and tear would be recovered through inter-company recharging in order to manage these risks.

Until 1 October 1, 2019, IAS 17 and IFRIC 4 were applied -

The Company as a 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.

The Company as a 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.

Income from lease arrangements: Operating lease income for equipment rentals is recognised on a straight-line basis over the lease term. An arrangement that is not in the legal form of a lease is accounted for as a lease if it is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Receivables from finance leases, in which Siemens as the 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 rate method. A selling profit component on manufacturing leases is recognised based on the policies for outright sales. Profit from sale and leaseback transactions is recognised immediately if significant risks and rewards of ownership have passed to the buyer, the leaseback results in an operating lease and the transaction is established at fair value.

Lease incentives and initial costs are amortised on a straight-line basis over the lease term and receipts that were not fixed at lease inception are booked as income when earned. Surrender premiums received in the period are included in rental income. Revenue from utilities is recognised when the services are delivered to the tenant.

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.

Pension costs and other post-retirement benefits

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.

Defined benefit plans — The Company measures the entitlements by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)), the expected rates of future salary increase and expected rates of future pension progression are considered. The assumptions used for the calculation of the DBO as of the period-end of the preceding financial year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the financial year will be based on the discount rate for the respective year multiplied by the net defined liability (asset) at the preceding financial year's period-end date.

Service cost and past service cost for post-employment benefits and administration costs unrelated to the management of the plan assets are allocated among functional costs. Past service costs and settlement gains and losses are recognised immediately in the Statement of Income. For unfunded plans, the amount of the line item Post-employment benefits equals the DBO. For funded plans, the Company offsets the fair value of the plan assets with the DBO. The Company recognises the net amount, after adjustments for effects relating to any asset ceiling.

Remeasurements comprise of actuarial gains and losses, as well as the difference between the return of plan assets and the amounts included in net interest on the net defined benefits liability or asset. They are recognised by the Company in the Statement of Comprehensive Income, net of income taxes.

Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rates of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available discount rates are based on government bonds yields. Due to changing market, economic and social conditions the underlying key assumptions may differ from actual developments. For a discussion of the current funded status see note 24.

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.

Guarantees — In the ordinary course of business, the Company provides financial guarantees, consisting of letters of credit, guarantees and facility commitments. Financial guarantees are initially recognised in the financial statements (within trade and other payables) at fair value, being the premium received. Subsequent to initial recognition, the Company’s liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the Statement of Income or recoverable value. The premium received is recognised in the Statement of Income in revenue on a straight-line basis over the life of the guarantee.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

New and amended standards effective for the year ended September 30, 2020:

IFRS 16 Leases

The Company adopted IFRS 16 with an initial application date of October 1, 2019. It applied the modified retrospective transition method and thus comparatives were not restated. It elected to apply the practical expedient that permits the entity not to reassess whether a contract is, or contains, a lease at the date of initial application, but instead to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. It also elected to apply the practical expedients in IFRS 16 for short-term leases, leases for which the underlying asset is of low value, the use of a single discount rate for portfolios of leases with reasonably similar characteristics, and the use of hindsight in determining the lease term, where a contract contains options to extend or terminate the lease.

For pre-IFRS 16 operating leases, the rental charge is replaced by depreciation of the right of use asset and interest on the lease liability.

IFRS 16 therefore results in an increase to operating profit, which is reported prior to interest being deducted. Depreciation is charged on a straight-line basis, however, interest is charged on outstanding lease liabilities and therefore reduces over the life of the lease. The lease liability is remeasured upon the occurrence of certain events, such as a change in lease term or a change in future lease payments resulting from a change in an index or rate (for example, inflation-linked payments or market rate rent reviews). A corresponding adjustment is made to the right of use asset.

The following is a reconciliation of total operating lease commitments at September 30, 2019 (as disclosed in the financial statements to September 30, 2019) to the lease liabilities recognised at October 1, 2019:

Total operating lease commitments disclosed at September 30, 2019	68,958
Recognition exemptions:	
Leases of low value assets	(140)
Leases with remaining lease term of less than 12 months	(513)
Discounted using incremental borrowing rates	(8,854)
Net adjustments related to previously recognised finance leases	11,619
Total lease liabilities recognised under IFRS 16 at October 1, 2019	71,070

The Company acts as a central company for group's leasing activities in the UK mainly for real estate properties and vehicle leases. Hence the right of use asset was derecognised if the leased asset was subleased to Siemens group entities.

The discount rates applied as of transition date are based on the Siemens's marginal borrowing rate. These rates have been calculated for each right-of-use asset, reflecting the underlying lease terms and based on observable inputs. These discount rates are determined with respect to the remaining terms of leases from the date of first-time application, namely October 1, 2019 (weighted average incremental borrowing rate as of October 1, 2019: between 1% and 1.5%).

In connection with the transition to the new standard management has applied judgement and formed assumptions in relation to assessing the incremental borrowing rate, service components, extension, and termination options of leasing arrangements. Management has formed its judgements and assumptions based on historical experience, internal and external data points.

The Company has elected to present right-of-use assets within Property, Plant and Equipment on the statement of financial position and lease liabilities, finance lease receivables separately from other liabilities and other receivables, respectively.

The most significant IFRS 16 judgements and estimates include the determination of lease term when there are extension or termination options, the selection of an appropriate discount rate to calculate the lease liability and the impairment of right of use assets.

Right-of-use assets are presented in Property, plant, and equipment (note 18) in accordance with their nature.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Lease liabilities

Company as a Lessee
The following tables show the discounted lease liabilities included in the balance sheet and a maturity analysis of the contractual undiscounted lease payments:

	September 30, 2020
Current	12,689
Non-Current	54,696
Total (note 23)	67,385

Maturity analysis – contractual undiscounted cash flows

	September 30, 2020
Lease liability due within	
One year	21,708
Two to five years	38,069
Six years and above	15,148

Amounts recognised in the income statement

	September 30, 2020
Interest on lease liabilities	1,519
Expenses relating to short term leases	1,191
Expenses relating to low value assets	2,542
Expenses relating to lease modifications	378

Cash Outflow

	September 30, 2020
Total cash outflow for leases	28,086

Finance lease receivables

Company as a Lessor
The Company has entered into various lease arrangements as a lessor that are considered to be finance leases. The Company leases mainly land and buildings and as they are judged to transfer substantially all of the risk and rewards of ownership of the asset, they are classified as finance leases.

The following tables show the discounted finance lease receivables included in the statement of financial position and a maturity analysis of the contractual undiscounted lease receipts:

	September 30, 2020
Current	18,112
Non-Current	36,237
Total (notes 11 & 19)	54,349

Maturity analysis – contractual undiscounted cash flows

	September 30, 2020
Finance lease receivable due within	
One year	21,315
Two to five years	37,300
Six years and above	10,837

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The interpretation, effective for years beginning after January 1, 2019, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation has not had any impact on the Company.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business, as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments have not had any impact on the Company.

IAS 19 (Amendments) – Plan amendment, Curtailment or Settlement

The amendments effective for years beginning after 1 January 2019, address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. These amendments have not had any impact on the Company.

Prepayment Features with Negative Compensation - Amendments to IFRS 9

The amendments to IFRS 9, effective for annual periods beginning on or after 1 January 2019, clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments have not had any impact on the Company.

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, 2020, 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.

Definition of Material – Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments, effective for annual periods beginning on or after 1 January 2020, require an entity to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. This will be effective from 1 October 2020, however the Company is not expecting any material impact 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, 2020 AND 2019 (in thousands of £)

3. Acquisitions and discontinued operations

There were no acquisitions in the year ended September 30, 2020.

a) Discontinued operations (Gas and Power 'Energy')

The assets and liabilities of the Energy business were sold on April 1, 2020 to Siemens Energy Limited, for a consideration of £313m, resulting in a gain on disposal of £92m (including £584k hedge accounting gain). The following classes of assets and liabilities were disposed of in the year:

	Year ended September 30, 2020
Cash and cash equivalents	**-**
Trade and other receivables	**47,946**
Inventories	**10,264**
Contract assets	**49,554**
Other current financial assets	**2,617**
Other current assets	**241**
Goodwill	**167,448**
Other intangible assets	**13,364**
Property, plant and equipment	**55,827**
Deferred tax assets	**110**
Assets disposed of in the year	**347,371**
Trade payables	**26,607**
Long term debt	**516**
Other current financial liabilities	**2,970**
Other current liabilities	**9,312**
Contract Liabilities	**66,828**
Current provisions	**5,144**
Deferred tax liabilities	**62**
Other liabilities	**11,770**
Provisions	**2,623**
Other financial liabilities	**269**
Liabilities disposed of in the year	**126,101**
Net Assets disposed in the year	**221,270**
Purchase consideration	**313,349**
Gain on disposal	**92,079**

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

The income from discontinued operations in the year relates to the Energy business which was sold in the year, and the prior year comparatives have been restated to reflect this. The net result for the Energy business' discontinued operations presented in the Statement of Income consists of the following components:

	Period ended March 31, 2020	Year ended September 30, 2019
Revenue	**126,356**	260,203
Cost of sales	**(123,840)**	(241,002)
Gross profit	**2,516**	19,201
Research and development expenses	**(89)**	(56)
Marketing and distribution expenses	**(5,606)**	(7,989)
Administrative expenses	**(395)**	(496)
Other operating Expense - net	**(1,594)**	(388)
Operating profit	**(5,168)**	10,272
Interest income	**(35)**	(21)
Interest expense	**-**	-
(Loss) / profit from discontinued operations before income taxes	**(5,203)**	10,251
Income tax expense on sale of discontinued operations (see note 10)	**(51,823)**	-
Income tax credit / (expense) (see note 10)	**989**	(1,948)
Net (loss) / income from discontinued operations after income taxes	**(56,037)**	8,303
Gain on disposal from discontinued operations	**92,079**	-
Net income from discontinued operations after income taxes	**36,042**	8,303

b) Acquisitions / disposals after the year end

There were no acquisitions or disposals in the period subsequent to the year ended September 30, 2020.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

4. Revenue

Revenue is earned from and analysed into the following business categories & also further categorised as to whether the revenue recognition from customer sales is predominantly at a point in time, or over time:

Goods transferred at a point in time = PIT Good transferred over time = OT

	Timing of revenue recognition	Year ended September 30,	
		2020	2019 (Restated)
Smart Infrastructure	**PIT**	**212,711**	208,511
Digital Industries	**PIT**	**210,630**	229,166
Real Estate	**OT**	**30,926**	41,776
Portfolio Companies (POC)	**PIT**	**17,268**	15,237
Other *		**1,432**	1,121
		472,967	495,811

Timing of revenue recognition

The transaction price allocated to the remaining performance obligations (Unsatisfied or partially satisfied) as at September 30 2020 are, as follows:

	2020		2019	
	Within one year	**More than one year**	Within one year	More than one year
Smart Infrastructure	**89,996**	**38,083**	89,848	55,138
Portfolio Companies	**10,253**	**24**	50,181	2,828
Digital Industries	**25,690**	**1,739**	20,975	2,101
Other *	**-**	**-**	-	20
	125,939	**39,846**	161,004	60,087

Contract Balances

	Year ended September 30,	
	2020	2019
Trade receivables	**73,141**	108,619
Contract assets	**25,879**	53,721
Contract liabilities	**(20,963)**	(66,466)

Trade receivables are non-interest bearing and are generally on terms of 30 days, however an ageing analysis is included in note 11 for details.

Segmental information for the Siemens AG group is presented in the consolidated accounts of the ultimate parent company, Siemens AG.

*Other revenue includes service revenue from other Siemens operating companies in the UK. This revenue relates to services provided in the areas of professional services, IT support and solutions, facilities management and human resources.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

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

	Year ended September 30, 2020	2019
Net foreign exchange loss / (gain)	**291**	(114)
Research and development income	**(172)**	(1,553)
Depreciation of property, plant and equipment	**17,167**	15,977
Amortisation of intangible assets	**3,861**	5,514
Impairment of plant, property and equipment	**121**	119
Direct operating expenses in connection with investment properties	**-**	1,083
Staff costs (see note 7)	**195,584**	240,638
Research and Development Expenditure Credit	**-**	(635)
Grants received	**(1,025)**	(397)
Auditor's remuneration:		
- audit of financial statements	**359**	339

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2019: £nil).

6. Other operating (expense) / income

	Year ended September 30, 2020	2019 (Restated)
(Loss) / profit on disposal of property, plant and equipment and intangibles	**(598)**	3,038
Other	**(448)**	(1,868)
	(1,046)	1,170

In 2020 included within the (loss)/profit on disposal of property, plant and equipment and intangibles are expected costs associated to a restrictive covenant for a piece of land owned in Manchester.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

7. Staff numbers and costs

	Year ended September 30, **2020**	2019
Wages and salaries	**162,216**	197,809
Social security costs	**18,222**	21,265
Expenses relating to pension plans and employee benefits	**15,146**	21,564
	195,584	240,638

Staff numbers and costs relate to continuing and discontinued operations.

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 2020 and 2019 was 2,605 (based on continuing operations) and 3,492, respectively. 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, **2020 Number**	2019 Number
Manufacturing and services	**1,516**	2,110
Sales and marketing	**1,008**	1,295
Research and development	**81**	87
	2,605	3,492

8. Directors' emoluments

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

	Year ended September 30, **2020**	2019
Emoluments receivable	**3,664**	1,826
Employer contributions to money purchase schemes	**13**	17
	3,677	1,843

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £2,489,347 (2019: £929,036). Three 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 28. Three of the directors have shares receivable from a long-term incentive scheme.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (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, 2020	2019 (Restated)
Interest income**	**4,149**	9,696
Interest income - negative*	**(13)**	(22)
Interest income, net	**4,136**	9,674
Interest expense**	**(11,573)**	(10,781)
Interest expense	**(11,573)**	(10,781)
Interest income from pension plans and similar commitments	**85,309**	108,629
Interest expense from pension plans and similar commitments	**(69,698)**	(95,042)
Interest income from pension plans and similar commitments	**15,611**	13,587
Thereof: Interest expense of operations, net	**(656)**	(7)
Thereof: Other interest expense, net	**(6,781)**	(1,100)

*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 income in above table includes £825k interest received on finance leases and interest payable includes £1,519k interest on lease liabilities.

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.

Service cost for pension plans and similar commitments are allocated among functional costs (*Cost of sales*, *Research and development expenses*, *Marketing and distribution expenses and administrative expenses*).

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

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, **2020**	2019
Current tax:		
UK corporation tax	**52,126**	5,194
Foreign income taxes	**-**	97
Adjustments for prior years	**(2,105)**	2,543
	50,021	7,834
Deferred tax:		
Origination and reversal of temporary differences - current year	**2,720**	3,626
Origination and reversal of temporary differences - prior years	**(6,439)**	(1,680)
Deferred tax change adjustment	**19,215**	-
	15,496	1,946
Tax expense	**65,517**	9,780
Income tax expense in the Statement of Income is disclosed as follows:		
Income tax expense on continuing operations	**14,683**	7,832
Income tax expense on sale of discontinued operations	**51,823**	-
Income tax (credit) / expenses on discontinued operations	**(989)**	1,948
	65,517	9,780

Of the deferred tax expense in 2020 and the deferred tax expense in 2019, £15,496k and £1,946k, respectively, relate to the origination and reversal of temporary differences.

For the years ended September 30, 2020 and 2019, 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, **2020**	2019
Net income before tax (Continuing and discontinued operations (see note 3))	**94,558**	25,441
Tax at 19% (2019: 19%)	**17,966**	4,834
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	**2,882**	4,180
Research and development tax credit	**(9)**	(135)
Tax-free gains from sales of business	**-**	386
Tax charge on sale of business	**34,328**	-
Over provided in prior years - deferred tax	**(6,439)**	(1,680)
(Over) / under provided in prior years - current tax	**(2,105)**	2,543
Irrecoverable foreign tax	**-**	79
Deferred tax rate change adjustment	**19,215**	-
Rate change adjustment difference between Corporation Tax and Deferred Tax rate	**(320)**	(426)
Other	**(1)**	(1)
Total income tax expense for the year	**65,517**	9,780

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.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

As part of Budget 2020, the Government announced that the reduction in the corporate income tax rate to 17%, that was previously enacted to be effective from 1 April 2020, would be cancelled. Accordingly, the deferred tax balance as at 30 September 2020 is calculated using a corporate income tax rate of 19% (2019: 17%).

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

		September 30,
	2020	2019
Property, plant and equipment	**5,768**	-
Provisions	**1,955**	2,553
Deferred tax assets	**7,723**	2,553
Liabilities		
Other intangible assets	**(738)**	(3,305)
Property, plant and equipment	**-**	(1,226)
Pension plans and similar commitments	**(132,258)**	(139,395)
Deferred tax liabilities	**(132,996)**	(143,926)
Total deferred tax liabilities, net	**(125,273)**	(141,373)

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.

As of September 30, 2020 the Company has £nil (2019: £nil) of gross tax loss carry forwards. Management considers it probable that the future operations will generate sufficient taxable income to realise the deferred tax assets.

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

	2020	2019
Deferred tax liabilities opening balance	**(141,373)**	(95,496)
Tax in income statement	**(15,496)**	(1,946)
Changes in Statement of comprehensive income	**31,815**	(43,877)
Others - not impacting net income	**(219)**	(54)
Deferred tax liabilities closing balance	**(125,273)**	(141,373)

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

11. Trade and other receivables

	September 30,	
	2020	2019
Trade receivables from the sale of goods and services	**73,141**	108,619
Receivables from group companies	**961,787**	683,595
Receivables from finance leases	**18,112**	660
	1,053,040	792,875

Trade receivables from the sales of goods and services include customer rebates amounting to £581k (2019: £1,072k) and settlement discounts of £127k (2019: £158k).

As at September 30, 2020, *receivables from group companies* include a deposit of £880,000k (2019: 631,414k) with Siemens Finance B.V. Interest rates of which ranged from 0.01% to 0.07% during the financial year.

The increase in receivables from leases is mainly due to implementation of IFRS 16 during the year and first time recognition of sub leases to group entities.

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,	
	2020	2019
Valuation allowance as at beginning of the year	**4,102**	534
Creation	**3,076**	14,388
Reversal	**(2,264)**	(10,820)
Transfer out to group companies	**(890)**	-
Valuation allowance as at end of the year	**4,024**	4,102

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

		September 30,		September 30,
	Gross 2020	**Allowance 2020**	Gross 2019	Allowance 2019
Current	**57,281**	**(1,399)**	87,903	(1,547)
30 days overdue	**9,397**	**(253)**	11,392	(201)
31 - 60 days overdue	**2,576**	**(69)**	3,350	(59)
61 – 90 days overdue	**940**	**(25)**	1,156	(20)
91+ days overdue	**6,971**	**(2,278)**	8,920	(2,275)
	77,165	**(4,024)**	112,721	(4,102)

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Receivables from finance leases are presented in the Statement of Financial Position as follows:

	September 30,	
	2020	2019
Receivables from finance leases, current	**18,112**	660
Receivables from finance leases, long-term portion (see note 19)	**36,237**	2,249
	54,349	2,909
Thereof: Land and buildings	**36,890**	-
Thereof: Technical machinery & equipment	**14,434**	2,909
Thereof: Furniture and office equipment	**3,025**	-

12. Other current financial assets

	September 30,	
	2020	2019
Derivative financial instruments	**67**	1,935
Other current financial assets	**1,229**	1,475
	1,296	3,410

13. Contract assets and liabilities

As of September 30, 2020 and 2019, amounts expected to be settled after twelve months are £8,359k and £16,562k for contract assets and £1,447k and £18,331k, respectively, for contract liabilities.

As of September 30, 2020 and 2019, contract assets were £25,879k and £53,721k respectively.

As of September 30, 2020 and 2019, contract liabilities were £20,963k and £66,466k respectively.

14. Inventories

	September 30,	
	2020	2019
Raw materials and supplies	**11,222**	10,807
Work in progress	**1,238**	5,963
Costs of unbilled contracts	**9,220**	10,253
Finished goods and products held for resale	**5,740**	12,251
Advances to suppliers	**-**	58
	27,420	39,332

Cost of sales include inventories recognised as an expense amounting to £633,384k (including discontinued operations) and £622,111k , respectively, in financial year 2020 and 2019.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

15. Other current assets

		September 30,
	2020	2019
Other tax receivables	**134**	133
Prepaid expenses	**3,659**	9,358
Other	**493**	918
	4,286	10,409

16. Goodwill

		September 30,
	2020	2019
Cost		
Balance at beginning of year	**400,946**	400,946
Disposals during the year (see note 3)	**(186,475)**	-
Balance at end of year	**214,471**	400,946
Accumulated impairment losses		
Balance at beginning of year	**(85,096)**	(85,096)
Disposals during the year (see note 3)	**19,027**	-
Balance at end of year	**(66,069)**	(85,096)
Net book value		
Balance at beginning of year	**315,850**	315,850
Balance at end of year	**148,402**	315,850

Impairment of Goodwill

The carrying amount of goodwill across the various divisions as well as the impairment review process is detailed below:

		Goodwill September 30,
	2020	2019
Smart Infrastructure	**147,263**	147,263
Digital Industries	**1,139**	1,139
Power and Gas (see note 3)	**-**	77,779
Portfolio Companies (see note 3)	**-**	89,669
Balance at end of year	**148,402**	315,850

The Company performed the mandatory annual impairment test in the last three months of the financial year ended September 30, 2020 in accordance with the accounting policy stated in note 2. The recoverable amounts for the annual impairment test 2020 for all the Company's operating segments 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 divisions' carrying amount include terminal value growth rates up to 1.6% in 2020 (2019: 1.6%), and after-tax discount rates of 8% to 9% in 2020 (2019: 8.5% to 9.5%). Where possible, reference to market prices is made.

For the purpose of estimating the recoverable amount of the divisions, 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. The value in use is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Both assumptions are determined individually for each division or equivalent. Discount rates reflect the current market assessment of the risks specific to each division and are based on the weighted average cost of capital for the divisions. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

Sensitivity to change in assumptions

For all the divisions, the recoverable amount of the cash-generating units are higher than their carrying amounts as at September 30, 2020.

The terminal value growth rate used in estimating the recoverable amount for all the divisions was 1.6%. A reduction in the terminal value growth rate by 0.5% would not result to an impairment in the carrying value of goodwill in any divisions.

The after-tax discount rates used in estimating the recoverable amount for all the divisions were 8% to 9%. in 2020 (2019: 8.5% to 9.5%). An increase in the after-tax discount rate of 1.0% would not result to an impairment in the carrying value of goodwill in any divisions.

Management considers that no reasonably possible change in the key assumptions applied, other than after-tax discount rate and terminal value (as explained above), would cause the carrying amount of goodwill to exceed the recoverable amount.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

17. Other intangible assets

	Development cost	Software	Patents, licenses & similar rights	Other	Total
Cost					
At October 1, 2018	1,182	26,065	13,860	71,778	112,885
Additions	-	1,312	-	-	1,312
Retirements	-	(3,723)	(257)	-	(3,980)
At September 30, 2019	1,182	23,654	13,603	71,778	110,217
At October 1, 2019	**1,182**	**23,654**	**13,603**	**71,778**	**110,217**
Additions	-	1,388	1	-	1,389
Retirements	(384)	(75)	(9,795)	-	(10,254)
Transfers in/(out) from/to group companies	-	(950)	-	(33,241)	(34,191)
At September 30, 2020	**798**	**24,017**	**3,809**	**38,537**	**67,161**
Amortisation					
At October 1, 2018	1,124	19,116	13,589	41,851	75,680
Charge for the year	58	2,762	140	2,554	5,514
Retirements	-	(3,723)	(257)	-	(3,980)
At September 30, 2019	1,182	18,155	13,472	44,405	77,214
At October 1, 2019	**1,182**	**18,155**	**13,472**	**44,405**	**77,214**
Charge for the year	-	2,542	43	1,276	3,861
Retirements	(384)	(7)	(9,795)	-	(10,186)
Transfers in/(out) from/to group companies	-	(566)	-	(20,261)	(20,827)
At September 30, 2020	**798**	**20,124**	**3,720**	**25,420**	**50,062**
Net book value					
At October 1, 2018	58	6,949	271	29,927	37,205
At September 30, 2019 and October 1, 2019	-	5,499	131	27,373	33,003
At September 30, 2020	**-**	**3,893**	**89**	**13,117**	**17,099**

Amortisation expense on intangible assets is included in *Cost of sales, Research and development expenses, Marketing and distribution expenses or administrative expenses*, depending on the use of the asset.

The development cost relates to the development of data storage for metering within the Smart Infrastructure business. This development project is in full operational use and its expected useful life is 4 years. Development costs are described in note 2.

Other intangible assets have arisen due to business integrations of other Siemens group companies into Siemens plc in 2009, 2012, 2013 and 2016. The majority of the balance relates to customer relationships acquired.

Transfers out (net £13,364k) relate to Energy carve out during the year (refer to note 3)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)
18. Property, plant and equipment

	Investment Property	Land & buildings	Technical machinery & equipment	Equipment leased to others	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Cost							
At October 1, 2018	5,268	115,106	80,329	140	68,772	8,126	277,741
Additions	151	3,310	6,328	-	5,638	224	15,651
Disposals	(157)	(834)	(9,040)	-	(4,412)	(19)	(14,462)
Transfers to / from group companies	-	170	(3,093)	-	61	-	(2,862)
Reclassifications of assets	-	3,657	2,619	-	1,020	(7,296)	-
At September 30, 2019	5,262	121,409	77,143	140	71,079	1,035	276,068
At October 1, 2019	**5,262**	**121,409**	**77,143**	**140**	**71,079**	**1,035**	**276,068**
ROU recognised on transition	**-**	11,002	13,368	-	-	-	24,370
Adjustment on transition to IFRS16	-	-	(18,480)	-	-	-	(18,480)
Adjusted balance at October 1, 2019	**5,262**	**132,411**	**72,031**	**140**	**71,079**	**1,035**	**281,958**
Additions	**9**	**2,950**	**15,117**	**-**	**4,727**	**1,674**	**24,477**
Disposals	**(258)**	**(19,761)**	**(7,956)**	**-**	**(11,195)**	**-**	**(39,170)**
Transfers to / from group companies	**-**	**(52,779)**	**(39,330)**	**-**	**(7,850)**	**(1,010)**	**(100,969)**
Reclassification of asset	**-**	**345**	**(373)**	**-**	**172**	**(524)**	**(380)**
At September 30, 2020	**5,013**	**63,166**	**39,489**	**140**	**56,933**	**1,175**	**165,916**
Accumulated depreciation and impairment							
At October 1, 2018	1,299	51,519	53,107	47	57,246	-	163,218
Charge for the year	121	4,911	6,239	17	4,689	-	15,977
Disposals	-	(809)	(8,641)	-	(4,060)	-	(13,510)
Transfers to / from group companies	-	9	(2,324)	-	9	-	(2,306)
Impairment	-	95	-	-	24	-	119
Reclassification of asset	-	-	(2)	-	2	-	-
At September 30, 2019	1,420	55,725	48,379	64	57,910	-	163,498
At October 1, 2019	**1,420**	**55,725**	**48,379**	**64**	**57,910**	**-**	**163,498**
Adjustment on transition to IFRS16	-	-	(5,610)	-	-	-	(5,610)
Adjusted balance at October 1, 2019	**1,420**	**55,725**	**42,769**	**64**	**57,910**	**-**	**157,888**
Charge for the year	**188**	**5,664**	**3,538**	**17**	**7,760**	**-**	**17,167**
Disposals	**(151)**	**(955)**	**(483)**	**-**	**(10,392)**	**-**	**(11,981)**
Transfers to / from group companies	**-**	**(19,359)**	**(26,452)**	**-**	**(5,805)**	**-**	**(51,616)**
Impairment	**-**	**121**	**-**	**-**	**-**	**-**	**121**
Reclassification of asset		**(75)**	**(184)**				**(259)**
At September 30, 2020	**1,457**	**41,121**	**19,188**	**81**	**49,473**	**-**	**111,320**

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	Investment Property	Land & buildings	Technical machinery & equipment	Equipment leased to others	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Net book value							
At October 1, 2018	3,969	63,587	27,222	93	11,526	8,126	114,523
At September 30, 2019 and October 1, 2019 (unadjusted)	3,842	65,684	28,764	76	13,169	1,035	112,570
Adjusted at October 1, 2019	3,842	76,686	29,262	76	13,169	1,035	124,070
At September 30, 2020	**3,556**	**22,045**	**20,301**	**59**	**7,460**	**1,175**	**54,596**

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

	Land & buildings	Technical machinery& equipment	Total property, plant & equipment
Cost			
At October 1, 2019	11,002	13,368	24,370
Additions	1,232	3,496	4,728
Disposal	(6,498)	-	(6,498)
Transfers to / from group companies	(3,095)	-	(3,095)
Reclassification of asset	211	(587)	(376)
At September 30, 2020	**2,852**	**16,277**	**19,129**
Accumulated depreciation			
Charge for the year	2,959	4,882	7,841
Disposals	(1,325)	-	(1,325)
Transfers to / from group companies	(653)	-	(653)
Reclassification of asset	(75)	(184)	(259)
At September 30, 2020	**906**	**4,698**	**5,604**
Net Book value			
At October 1, 2019	11,002	13,368	24,370
At September 30, 2020	**1,946**	**11,579**	**13,525**

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Transfers in/out mainly related to Energy carve out during the year (refer to note 3).

The disposals during the year in Right of use assets table represent derecognition of assets on sub leasing to group entities.

The amount of borrowing costs capitalised in the year is £nil (2019: £nil). Borrowing costs relate to capitalised borrowing costs directly attributable to the costs of an asset where the borrowing costs have commenced on or after October 1, 2012 (see note 2). The borrowing costs in the prior years were capitalised at 2.49%.

In 2020 and 2019, government grants awarded for the purchase or the production of property, plant and equipment amounted to £nil and £nil, respectively. The award of further government grants of £nil and £450k in 2020 and 2019, respectively, related to costs incurred and future costs.

The fair value of investment property as at September 30, 2020 was £5m (2019: £5m).

The fair value of investment properties represents the market value of the properties calculated by the use of the definition of market value as prescribed by the Royal Institution of Chartered Surveyors (RICS) Valuation Standards 6th Edition. Market Value is described in Practice Statement 3.2 and the interpretative comment on Market Value, as published in International Valuation Standards 1, has been applied. Market Value is described by the RICS as follows: - *The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*

As of September 30, 2020 and 2019, the minimum future lease payments receivable that the Company, as a lessor, is expecting to receive under non-cancellable operating leases as follows:

	September 30,	
	2020	2019
Not later than one year	-	35
Later than one year and not later than five years	-	9
Later than five years	-	8
	-	52

The Company implemented IFRS 16 on October 1, 2019 and hence no comparative for current year in the above table.

As of 30 September 2020 contractual commitments for the purchase of plant, property and equipment amount to £nil (2018: £1,562k).

In 2019 payments from lessees under operating leases primarily relate to leasing of properties and vehicles by Siemens Plc.

19. Other financial assets

	September 30,	
	2020	2019
Receivables from finance leases	**36,237**	2,249
	36,237	2,249

The increase in receivables from leases is mainly due to implementation of IFRS 16 during the year and first time recognition of sub leases to group entities.

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20. Other current financial liabilities

	September 30, 2020	2019
Derivative financial instruments	**90**	3,136
Other financial liabilities	**1,617**	1,752
	1,707	4,888

21. Trade and other payables

	September 30, 2020	2019
Trade and other payables	**69,783**	106,130
Amounts due to group companies	**9,018**	21,360
	78,801	127,490

22. Other current liabilities

	September 30, 2020	2019
Payroll and social security taxes	**5,375**	13,839
Bonus obligations	**14,847**	22,399
Other employee related costs	**3,489**	5,869
Other tax liabilities	**28,706**	969
Deferred income	**11,697**	12,154
Other accrued liabilities	**17,729**	21,331
	81,843	76,561

Other employee related costs primarily include vacation payments, accrued overtime and service anniversary awards.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

23. Debt

	September 30,	
	2020	2019
Short-term debt		
Short-term debt	**18,875**	13,486
Liabilities under leases less than 1 year	**12,689**	1,634
	31,564	15,120
Long-term debt		
Liabilities under leases more than 1 year	**54,696**	20,106
Long-term loan from group company	**223,234**	237,144
	277,930	257,250

Short-term and Long-term debt above include a long-term loan held with Siemens Holdings plc. The amount outstanding is £237,144k (2019: £250,494k) with a remaining term of 154 months and a fixed rate of 3.6029% per annum. The current portion of this loan, included in short-term debt is £13,910 (2019: £13,350), which represents the capital repayment due within the next 12 month period.

The increase in liabilities under leases is mainly due to implementation of IFRS 16 during the year.

24. Post-employment benefits

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

Post-employment benefits provided by the Company are organised through three defined benefit plans and one defined contribution plan as follows:

24.1 - Siemens Benefits Scheme

a) Defined benefit plan

Siemens Benefits Scheme ("Scheme") is a defined benefit scheme with assets held in separate trustee administrated funds. The amount of contributions to be paid is decided jointly by the employer and the trustees of the Scheme. Assets held in trust are governed by UK regulations and practice. The Scheme's investment strategy is decided by the trustees, in consultation with the employer. The board of trustees must be composed of representatives of the employer and Scheme participants in accordance with the Scheme's legal documentation. The Company is one of a number of companies that participate in this Scheme, which provides benefits based on final pensionable pay.

All members and their respective defined benefit obligations are allocated to individual participating employers, and assets are allocated on a similar basis. These allocations allow net defined benefit costs to be charged to each company. Contributions for ongoing accrual in respect of active members are based on each company's payroll, whilst the distribution of deficit and lump sum payments is the responsibility of the principal and main participating employers.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

The Company's share of the Scheme is analysed below:

Movement in the Company's share (98%) of the net amount recognised:

	September 30,	
	2020	2019
Company's share of the net amount recognised of the Scheme at beginning of year	**820,588**	538,057
Current service cost	**(430)**	(438)
Past service gain / (cost)	**-**	(3,508)
Other finance income	**15,685**	13,597
Contributions paid	**1,596**	14,255
Transfer from other group companies	**14,497**	-
Remeasurements included in Statement of Comprehensive Income	**(155,842)**	258,625
Company's share of the net amount recognised of the Scheme at end of year	**696,094**	820,588

Transfer from other group companies relates to the transfer of net pension assets to the Scheme from the Siemens Fire Safety and Security Pension Scheme and to the carve-out of net pension assets of the Siemens Benefits Scheme from Siemens Energy Ltd.

The disclosures which follow are for the Siemens Benefits Scheme as a whole.

The movement in the Scheme surplus is split between operating charges and finance items, which are charged to the Statement of Income, and remeasurement gains and losses, which are charged to the Statement of Comprehensive Income.

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2020. The Scheme's assets are stated at their market values at September 30, 2020.

The Scheme covers 26,838 participants, including 975 active employees, 14,416 former employees with vested benefits and 11,447 retirees and surviving dependents.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Siemens Benefits Scheme (SBS) as at September 30, 2020. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

The defined benefit sections of the Scheme are largely closed to new entrants. It should therefore be noted that under the projected unit method that is required under IAS 19 the current service cost will increase as the members of the Scheme approach retirement.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Remeasurement gains and losses have been recognised in the period in which they occur, (but outside the Statement of Income), through the Statement of Comprehensive Income.

Reconciliation of funded status to Statement of Financial Position:

	September 30,	
	2020	2019
Fair value of Scheme assets	**5,034,118**	5,114,790
Present value of funded defined benefit obligations	**(4,321,175)**	(4,263,140)
Surplus recognised in the Statement of Financial Position	**712,943**	851,650

Defined benefit costs are as follows:

	September 30,	
	2020	2019
Current service cost	**465**	524
Past service cost	**-**	3,768
Net interest expense	**72,554**	100,060
Net interest income	**(88,782)**	(113,951)
Components of defined benefit cost recognised in the Statement of Income	**(15,763)**	(9,599)
Return on Scheme assets (excluding amounts included in net interest expense and net interest income)	**51,468**	(775,536)
Remeasurement gains and losses	**107,808**	473,877
Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income	**159,276**	(301,659)
Defined benefit costs	**143,513**	(311,258)

The past service cost in 2019 relates to the additional liability for equalising pension benefits for men and women in relation to guaranteed minimum pension benefits.

Changes to the present value of the defined benefit obligation during the year:

	September 30,	
	2020	2019
Defined benefit obligation at beginning of year	**4,263,140**	3,830,765
Current service cost	**465**	524
Past service cost	**-**	3,768
Interest expense	**72,554**	100,060
Remeasurements:		
Remeasurement losses / (gains) from changes in demographic assumptions	**12,808**	(99,216)
Remeasurement losses from changes in financial assumptions	**96,600**	598,386
Experience gains	**(1,600)**	(25,293)
Scheme participants' contributions	**11,931**	13,422
Benefits paid	**(157,913)**	(159,276)
Business combinations, disposals and other	**23,190**	-
Defined benefit obligation at end of year	**4,321,175**	4,263,140

Business combinations, disposals and other relate to the transfer of net pension assets to the Scheme from the Siemens Fire Safety and Security Pension Scheme during the year.

The total DBO at the end of the year 2020 includes £302,212k for active employees (2019: £329,114k), £1,741,193k for former employees with vested benefits (2019: £1,742,163k) and £2,277,770k for retirees and surviving dependents (2019: £2,191,863k).

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

The weighted average duration of the DBO was 18.0 years (2019: 17.6 years).

Changes to the fair value of Scheme assets during the year:

	September 30,	
	2020	2019
Fair value of Scheme assets at beginning of year	**5,114,790**	4,356,845
Interest income	**88,782**	113,951
Remeasurements:		
Return on Scheme assets excluding amounts included in interest income and interest expense	**(51,468)**	775,536
Employer contributions	**1,631**	14,312
Scheme participants' contributions	**11,931**	13,422
Benefits paid	**(157,913)**	(159,276)
Business combinations, disposals and other	**26,365**	-
Fair value of Scheme assets at end of year	**5,034,118**	5,114,790

Business combinations, disposals and other relate to the transfer of net pension assets to the Scheme from the Siemens Fire Safety and Security Pension Scheme during the year.

Actuarial assumptions:

The main assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below.

The assumptions used for the calculation of the DBO as of the period-end of the preceding financial year are used to determine the calculation of service cost and interest income and interest expense of the following year. The interest income and interest expense for the financial year will be based on the discount rate at the beginning of the respective year multiplied by the net of the fair value of Scheme assets and the DBO at the preceding financial year's period-end date. The fair value of Scheme assets and DBO, and thus the interest income on Scheme assets and the interest expense on DBO, are adjusted for significant events after the year end, such as a supplemental funding, Scheme changes or business combinations and disposals.

Assumed discount rates, compensation increase rates, pension progression rates used in calculating the DBO vary according to the economic conditions.

Main financial assumptions:

	September 30,	
	2020	2019
	% p.a.	% p.a.
Inflation (RPI)	**2.80**	3.00
Inflation (CPI)	**2.10**	2.00
Rate of general long-term increase in salaries	**2.60**	3.50
Rate of increase to pensions in payment		
- inflation capped at 5% (RPI)	**2.70**	2.90
- inflation capped at 3% (RPI)	**2.30**	2.40
- inflation with a floor of 3% and a cap of 5% (RPI)	**3.50**	3.50
Discount rate for Scheme liabilities	**1.63**	1.97

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS tables scaled by a factor of 86.0% (2019: 86.0%) for males and 91.0% (2019: 91.0%) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2019 (2019: CMI2018) projections with a long term rate of improvement of 1.25% p.a. (2019: 1.25%). The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Sensitivity analysis:

A one-half-percentage-point change of the established assumptions mentioned before, used for the calculation of the DBO as of September 30, 2020, would result in the following increase (decrease) of the DBO:

	Effect on DBO as of September 30, 2020 due to	
	One-half % Increase	**One-half % Decrease**
Discount rate	**(351,318)**	**400,326**
Rate of compensation increase	**6,649**	**(7,443)**
Rate of pension progression	**360,001**	**(280,537)**

In order to determine the longevity risk, the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £143,749k as of September 30, 2020. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male employee aged 55 years as of September 30, 2020, increases by 1.0 years.

When calculating the sensitivity of the DBO to significant actuarial assumptions the same method (present value of the DBO calculated with the projected unit credit method) has been applied as when calculating the pension obligation recognised in the Statement of Financial Position. Increases and decreases in the discount rate, rate of compensation increase and rate of pension progression which are used in determining the DBO do not have a symmetrical effect on the DBO primarily due to the compound interest effect created when determining the net present value of the future benefit. If more than one of the assumptions were changed simultaneously, the cumulative impact would not necessarily be the same as if only one assumption was changed individually. Furthermore, the sensitivities reflect a change in the DBO only for a change in the assumptions in this exact magnitude, i.e. 0.5%. If the assumptions change at a different level, the effect on the DBO is not necessarily linear.

There were no changes in the methods used in preparing the sensitivity analyses.

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Disaggregation of Scheme assets:

The asset allocation of the Scheme is as follows:

	September 30, 2020			September 30, 2019		
Asset Class	**Quoted market price in active market**	**No quoted market price in active market**	**Total**	Quoted market price in active market	No quoted market price in active market	Total
Fixed income securities:						
Government bonds	**1,598,236**	**-**	**1,598,236**	2,140,108	-	2,140,108
Corporate bonds	**617,073**	**-**	**617,073**	449,229	-	449,229
Other	**-**	**343,600**	**343,600**	-	364,900	364,900
	2,215,309	**343,600**	**2,558,909**	2,589,337	364,900	2,954,237
Alternative investments:						
Hedge Funds	**-**	**-**	**-**	-	357,974	357,974
Real estate	**-**	**21,978**	**21,978**	-	57,374	57,374
	-	**21,978**	**21,978**	-	415,348	415,348
Multi strategy funds	**556,136**	**-**	**556,136**	342,570	-	342,570
Derivatives:						
Interest risk	**-**	**(10,024)**	**(10,024)**	-	(18,543)	(18,543)
Foreign currency risk	**-**	**1,962**	**1,962**	-	-	-
Credit, Inflation and Price risk	**-**	**5,584**	**5,584**	-	19,214	19,214
	-	**(2,478)**	**(2,478)**	-	671	671
Cash and other assets	**169,342**	**1,730,231**	**1,899,573**	93,592	1,308,372	1,401,964
Total	**2,940,787**	**2,093,331**	**5,034,118**	3,025,499	2,089,291	5,114,790

The Scheme assets do not include any transferable financial instruments of the Company or property occupied by the Company.

The trustee of the Scheme has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. This statement sets out the trustee's investment objectives and strategy. The trustee sets investment strategy taking into account the Scheme's liabilities, the strength of the funding position and the trustee's appetite to risk, after taking appropriate investment advice. The trustee has allocated the Scheme's assets to a mix of asset classes, primarily bonds (fixed and index-linked gilts and other non-gilt bonds), but also other investments including (but not limited to) qualifying insurance policies, infrastructure and property. Derivative contracts are used to manage a portion of the interest rate and inflation exposure of the liabilities and separately to manage exchange rate risk arising from the Scheme's investments outside of the UK.

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Future cash flows:

Employer contributions expected to be paid to the Scheme in 2021 are £1,600k and employer deficit funding contributions expected to be paid to the Scheme in 2021 are £nil.

Under the Pension Act 2004, every UK defined benefit scheme is subject to a statutory funding objective which requires the scheme to hold sufficient and appropriate assets to cover it's "technical provisions". These provisions are determined at least every three years following agreement between the Company and the trustees of the scheme upon the assumptions to be used in the valuation. Assumptions agreed in this triennial process are not necessarily the same as those used in the annual IAS 19 calculations, where the Directors of the Company select the assumptions to be used.

Any technical provisions' shortfall arising is required to be remedied, and a recovery plan is agreed between the trustees and the Company, which will take into account financial and demographic factors for each scheme, as well as the financial strength (covenant) of participating employers. The timing and length of any recovery plan reflects the circumstances of each scheme, and results in a Schedule of Contributions which is signed by both Company and trustees (the employer contributions expected to be paid for the following year are stated above).

The effective date of the most recent triennial valuation for the Siemens Benefit Scheme was September 30, 2020.

A proportion of the employee contributions are made via a salary sacrifice arrangement. For the purposes of these disclosures, these notional employee contributions have been excluded from the service cost as have expected Age Related Rebates. They have also been excluded from the estimate of next year’s employer contributions set out above.

Expected pension benefit payments:

	September 30,
2021	**118,787**
2022	**116,654**
2023	**120,693**
2024	**124,868**
2025	**130,920**
2026-2030	**762,008**

b) 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 £14,717k (2019: £17,568k)·

24.2 - Other Pension Schemes

The Company participated in another defined benefit scheme (''Scheme'') - the Siemens Fire Safety and Security Pension Scheme (PFP) during the period. The net pension assets of the Scheme were transferred to the Siemens Benefits Scheme during the year.

The assets of the PFP Scheme are held in separate trustee administrated funds. The amount of contributions to be paid is decided jointly by the employer and the trustees of the Scheme. Assets held in trust are governed by UK regulations and practice. The Scheme's investment strategies are decided by the trustees, in consultation with the employer. The board of trustees must be composed of representatives of the employer and Scheme participants in accordance with the Scheme's legal documentation. The Scheme provides benefits based on final pensionable pay.

The Company is the principal employer of the PFP.

The movement in the funded position of the Schemes is split between operating charges and finance items, which are charged to the Statement of Income, and remeasurement gains and losses, which are charged to the Statement of Comprehensive Income.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Movement in the Company's share (100%) of the net amount recognised:

		September 30,
	2020	2019
Company's share of the net amount recognised of the Schemes at beginning of year	**(300)**	-
Other finance (cost) / income	**(71)**	-
Contributions paid	**300**	300
Transfers to other group companies	**(3,176)**	-
Remeasurements included in Statement of Comprehensive Income	**3,247**	(600)
Company's share of the net amount recognised of the Schemes at end of year	-	(300)
Irrecoverable surplus*	**-**	(4,257)
Additional liability**	**-**	(300)

*The Company has written off any surplus where no future economic benefit can be derived.

** Any future funding payments have been provided for as an additional liability to the extent that the Company will not derive any economic benefit from them.

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2020. The Scheme's assets are stated at their market values at September 30, 2020.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at September 30, 2020. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

Remeasurement gains and losses have been recognised in the period in which they occur, (but outside the Statement of Income), through the Statement of Comprehensive Income.

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Reconciliation of funded status to Statement of Financial Position:

	September 30,	
	2020	2019
Fair value of Scheme's assets	**-**	26,932
Present value of funded defined benefit obligations	**-**	(22,675)
	-	4,257
Effect due to asset ceiling write off	**-**	(4,257)
Effects due to IFRIC14 additional liability	**-**	(300)
Surplus recognised in the Statement of Financial Position	**-**	(300)

Defined benefit costs are as follows:

	September 30,	
	2020	2019
Net interest expense	**440**	623
Net interest income	**(529)**	(681)
Interest on asset ceiling	**125**	58
Interest on additional liability	**35**	-
Components of defined benefit costs recognised in the Statement of Income	**71**	-
Return on Scheme assets (excluding amounts included in net interest expense and net interest income)	**654**	(3,351)
Remeasurement gains and losses	**816**	1,448
Changes in irrecoverable surplus, effect of limit in para 58(b)*	**(4,382)**	2,204
Change in additional liability**	**(335)**	300
Remeasurements of defined benefit schemes recognised in the Statement of Comprehensive Income	**(3,247)**	601
Defined benefit costs	**(3,176)**	601

* The Company has written off any surplus where no future economic benefit can be derived.

** Any future funding payments have been provided for as an additional liability to the extent that the Company will not derive any economic benefit from them.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Changes to the present value of the defined benefit obligation during the year:

	September 30,	
	2020	2019
Defined benefit obligation at beginning of year	**22,675**	36,594
Defined benefit obligation relating to the RPS at beginning of year	**-**	(15,116)
Interest expense	**440**	623
Remeasurements:		
Remeasurement losses / (gains) from changes in demographic assumptions	**-**	(572)
Remeasurement losses from changes in financial assumptions	**816**	2,877
Experience losses / (gains)	**-**	(857)
Scheme participants' contributions	**21**	33
Benefits paid	**(763)**	(907)
Business combinations, disposals and other	**(23,189)**	-
Defined benefit obligation at end of year	**-**	22,675

Business combinations, disposals and other relate to the transfer of net pension assets to the Siemens Benefits Scheme during the year.

The total DBO at the end of the year 2020 includes £nil for active employees (2019: £1,822k), £nil for former employees with vested benefits (2019: £11,869k) and £nil for retirees and surviving dependents (2019: £8,984k).

The weighted average duration of the DBO of the Scheme was nil (2019: 17.1 years).

Changes to the fair value of Scheme assets during the year:

	September 30,	
	2020	2019
Fair value of Scheme assets at beginning of year	**26,932**	35,783
Fair value of Scheme assets relating to the RPS at beginning of year	**-**	(12,309)
Interest income	**529**	681
Remeasurements:		
Return on Scheme assets excluding amounts included in interest income and interest expense	**(654)**	3,351
Employer contributions	**300**	300
Scheme participants' contributions	**21**	33
Benefits paid	**(763)**	(907)
Business combinations, disposals and other	**(26,365)**	-
Fair value of Scheme assets at end of year	**-**	26,932

Business combinations, disposals and other relate to the transfer of net pension assets to the Siemens Benefits Scheme during the year.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Effect of asset ceiling & IFRIC 14 during the year:

	September 30,	
	2020	2019
Effect due to asset ceiling at beginning of year	**4,257**	1,995
Effect due to asset ceiling write-off	**(4,382)**	2,204
Interest on asset ceiling	**125**	58
Effect due to asset ceiling at end of year *	**-**	4,257
Additional liability due to IFRIC 14 at beginning of year	**300**	-
Additional liability due to IFRIC 14	**(335)**	300
Interest on IFRIC 14 liability"	**35**	-
Additional liability due to IFRIC 14 at end of year	-	300

* The Company has written off any surplus where no future economic benefit can be derived having taken legal advice on the terms of the Trust Deed and Rules.
** Any future funding payments have been provided for as an additional liability to the extent that the Company will not derive economic benefit from them.

Actuarial assumptions:

The main assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below.

The assumptions used for the calculation of the DBO as of the period-end of the preceding financial year are used to determine the calculation of service cost and interest income and interest expense of the following year. The interest income and interest expense for the financial year will be based on the discount rate at the beginning of the respective year multiplied by the net of the fair value of Scheme assets and the DBO at the preceding financial year's period-end date. The fair value of Scheme assets and DBO, and thus the interest income on Scheme assets and the interest expense on DBO, are adjusted for significant events after the year end, such as a supplemental funding, Scheme changes or business combinations and disposals.

Assumed discount rates, compensation increase rates, pension progression rates used in calculating the DBO vary according to the economic conditions.

Main financial assumptions:

	September 30,	
	2020	2019
	% p.a.	% p.a.
Inflation (RPI)	**3.00**	3.00
Inflation (CPI)	**2.00**	2.00
Rate of general long-term increase in salaries	**3.50**	3.50
Rate of increase to pensions in payment		
-inflation capped at 5% (RPI)	**2.90**	2.90
-inflation capped at 3% (RPI)	**2.40**	2.40
-inflation capped at 5% (CPI)	**2.00**	2.00
-inflation with a floor of 3% and a cap of 5% (RPI)	**3.50**	3.50
Discount rate for Scheme liabilities	**1.75**	1.97

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on appropriate standard tables published by the Institute and Faculty of Actuaries for males and females respectively. In addition, there is an allowance for future longevity improvements in line with the central CMI2019 (2019: CMI2018) projections with a long term rate of improvement of 1.25% p.a. (2019: 1.25%). The changes in mortality assumptions were adopted to reflect up-to date conditions as of the remeasurement date.

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Disaggregation of Scheme assets:

The asset allocation of the Scheme assets are as follows:

	September 30, 2020			September 30, 2019		
	Quoted market price in active market	**No quoted market price in active market**	**Total**	Quoted market price in active market	No quoted market price in active market	Total
Asset Class						
Equity securities:						
International equities	-	-	-	3,947	-	3,947
	-	-	-	3,947	-	3,947
Fixed income securities:						
Government bonds	-	-	-	14,087	-	14,087
Corporate bonds	-	-	-	5,392	-	5,392
	-	-	-	19,478	-	19,478
Multi strategy funds	-	-	-	3,330	-	3,330
Cash and other assets	-	-	-	177	-	177
Total	-	-	-	26,932	-	26,932

The Scheme assets do not include any transferable financial instruments of the Company or property occupied by the Company.

The trustee of the Scheme has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. This statement sets out the trustee's investment objectives and strategy. The trustee sets investment strategy taking into account the Scheme's liabilities, the strength of the funding position and the trustee's appetite to risk, after taking appropriate investment advice. The trustee for the PFP has allocated the Scheme's assets to a mix of asset classes, primarily bonds (fixed and index-linked gilts and investment grade corporate bonds) but also equities and other investments (multi strategy funds).

Future cash flows:

Employer contributions expected to be paid to the Scheme in 2021 are £nil and employer deficit funding contributions expected to be paid to the Scheme in 2021 are £nil.

Under the Pension Act 2004, every UK defined benefit scheme is subject to a statutory funding objective which requires the scheme to hold sufficient and appropriate assets to cover it's "technical provisions". These provisions are determined at least every three years following agreement between the Company and the trustees of the scheme upon the assumptions to be used in the valuation. Assumptions agreed in this triennial process are not necessarily the same as those used in the annual IAS 19 calculations, where the Directors of the Company select the assumptions to be used.

Any technical provisions' shortfall arising is required to be remedied, and a recovery plan is agreed between the trustees and the Company, which will take into account financial and demographic factors for each scheme, as well as the financial strength (covenant) of participating employers. The timing and length of any recovery plan reflects the circumstances of each scheme, and results in a Schedule of Contributions which is signed by both Company and trustees (the employer contributions expected to be paid for the following year are stated above).

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The effective date of the most recent triennial valuation for the PFP Scheme was March 31, 2018;

A proportion of the employee contributions are made via a salary sacrifice arrangement. For the purposes of these disclosures, these notional employee contributions have been excluded from the service cost as have expected Age Related Rebates. They have also been excluded from the estimate of next year's employer contributions set out above.

Expected pension benefit payments:

	September 30,
2021	**-**
2022	**-**
2023	**-**
2024	**-**
2025	**-**

24.3 - VA Tech UK Pension Scheme

Defined benefit plan

The VA Tech UK Pension Scheme ("Scheme") is a defined benefit scheme with assets held in separate trustee administrated funds. The amount of contributions to be paid is decided jointly by the employer and the trustees of the Scheme. Assets held in trust are governed by UK regulations and practice. The Scheme's investment strategy is decided by the trustees, in consultation with the employer. The board of trustees must be composed of representatives of the employer and Scheme participants in accordance with the Scheme's legal documentation. The Company was one of a number of companies that participates in this Scheme which provides benefits based on final pensionable pay.

The Company's share of the Scheme was transferred to Siemens Energy Ltd during the year, and this company was subsequently divested from the Siemens AG group prior to the end of the year.

Net defined benefit costs are charged to each entity on the basis of agreed percentages derived from estimated membership allocations. The distribution of deficit and lump sum payments use the same percentages.

The Company's share of the Scheme is analysed below:

Movement in the Company's share (nil%) of the net amount recognised:

	September 30,	
	2020	2019
Company's share of the net amount recognised of the Scheme at beginning of year	**(313)**	(447)
Past service cost	**-**	(46)
Other finance cost	**(2)**	(10)
Contributions paid	**81**	84
Remeasurements included in Statement of Comprehensive Income	**323**	106
Transfer to other group companies	**(89)**	-
Company's share of the net amount recognised of the Scheme at end of year	**-**	(313)
Additional liability *	**-**	(39)

Transfer to other group companies relates to the transfer of net pension assets to Siemens Energy Ltd during the year.

* Any future funding payments have been provided for as an additional liability to the extent that the Company will not derive any economic benefit from them.

The disclosures which follow are for the VA Tech UK Pension Scheme as a whole. The Company including the Siemens AG group no longer participates in the Scheme at September 30, 2020, and has no information on the Scheme at this date. The 2020 disclosures therefore reflect the de-participation in the Scheme as a whole.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

The movement in the Scheme is split between operating charges and finance items, which are charged to the Statement of Income, and remeasurement gains and losses, which are charged to the Statement of Comprehensive Income.

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2020. The Scheme's assets are stated at their market values at September 30, 2020.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at September 30, 2020. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

The Scheme is closed to new entrants.

Remeasurement gains and losses have been recognised in the period in which they occur, (but outside the Statement of Income), through the Statement of Comprehensive Income.

Reconciliation of funded status to Statement of Financial Position:

	September 30,	
	2020	2019
Fair value of Scheme assets	**-**	209,139
Present value of funded defined benefit obligations	**-**	(210,243)
	-	(1,104)
Effects due to IFRIC 14 additional liability	**-**	(155)
Surplus / (deficit) recognised in the Statement of Financial Position	**-**	(1,259)

Defined benefit costs are as follows:

	September 30,	
	2020	2019
Past service cost	**-**	200
Net interest expense	**4,076**	5,505
Net interest income	**(4,061)**	(5,504)
Interest on additional liability	**3**	47
Components of defined benefit costs recognised in the Statement of Income	**18**	248
Return on Scheme assets (excluding amounts included in net interest expense and net interest income)	**(12,512)**	(17,376)
Remeasurement gains and losses	**12,053**	18,419
Change in additional liability **	**(158)**	(1,484)
Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income	**(617)**	(441)
Defined benefit costs	**(599)**	(193)

** Any future funding payments have been provided for as an additional liability to the extent that the Company will not derive any economic benefit from them.

The past service cost relates to the additional liability for equalising pension benefits for men and women in relation to guaranteed minimum pension benefits.

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Changes to the present value of the defined benefit obligation during the year:

	September 30,	
	2020	2019
Defined benefit obligation at beginning of year	**210,243**	196,250
Past service cost	**-**	200
Interest expense	**4,076**	5,505
Remeasurements:		
Remeasurement losses / (gains) from changes in demographic assumptions	**802**	(5,182)
Remeasurement losses from changes in financial assumptions	**11,594**	33,397
Experience gains	**(343)**	(9,796)
Scheme participants' contributions	**871**	628
Benefits paid	**(15,536)**	(10,759)
Business combinations, disposals and other	**(211,707)**	-
Defined benefit obligation at end of year	**-**	210,243

Business combinations, disposals and other relates to the divestment of the Scheme from the Siemens AG group.

The total DBO at the end of the year 2020 includes £nil for active employees (2019: £35,619k), £nil for former employees with vested benefits (2019: £61,537k) and £nil for retirees and surviving dependents (2019: £113,087k).

The weighted average duration of the DBO at the end of 2019 was 18.5 years.

Changes to the fair value of Scheme assets during the year:

	September 30,	
	2020	2019
Fair value of Scheme assets at beginning of year	**209,139**	196,054
Interest income	**4,061**	5,504
Remeasurements:		
Return on Scheme assets excluding amounts included in interest income and interest expense	**12,512**	17,376
Employer contributions	**1,249**	336
Scheme participants' contributions	**871**	628
Benefits paid	**(15,536)**	(10,759)
Business combinations, disposals and other	**(212,296)**	-
Fair value of Scheme assets at end of year	**-**	209,139

Business combinations, disposals and other relates to the divestment of the Scheme from the Siemens AG group.

Effect of asset ceiling & IFRIC 14 during the year:

	September 30,	
	2020	2019
Additional liability due to IFRIC 14 at beginning of year	**(155)**	(1,592)
Additional liability due to IFRIC 14	**158**	1,484
Interest on IFRIC 14 liability	**(3)**	(47)
Additional liability due to IFRIC 14 at end of year **	**-**	(155)

** Any future funding payments have been provided for as an additional liability to the extent that the Company will not derive economic benefit from them.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Actuarial assumptions:

The main assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below.

The assumptions used for the calculation of the DBO as of the period-end of the preceding year are used to determine the calculation of service cost and interest income and interest expense of the following year. The interest income and interest expense for the year will be based on the discount rate at the beginning of the respective year multiplied by the net of the fair value of Scheme assets and the DBO at the preceding year's period-end date. The fair value of Scheme assets and DBO, and thus the interest income on Scheme assets and the interest expense on DBO, are adjusted for significant events after the year end, such as a supplemental funding, Scheme changes or business combinations and disposals.

Assumed discount rates, compensation increase rates, pension progression rates used in calculating the DBO vary according to the economic conditions.

Main financial assumptions:

		September 30,
	2020	2019
	% p.a.	% p.a.
Inflation (RPI)	**2.80**	3.00
Inflation (CPI)	**2.10**	2.00
Rate of general long-term increase in salaries	**2.60**	3.50
Rate of increase to pensions in payment		
-inflation capped at 5% (RPI)	**2.70**	2.90
-inflation capped at 3% (RPI)	**2.30**	2.40
-inflation capped at 5% (CPI)	**2.10**	2.00
Discount rate for Scheme liabilities	**1.62**	1.97

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS tables scaled by a factor of 103.0 (2019: 103.0) for males and 109.00 (2019: 109.00) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2019 (2019: CMI2018) projections with a long term rate of improvement of 1.25% (2019: 1.25%) p.a. The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

Disaggregation of Scheme assets:

The asset allocation of the Scheme is as follows:

		September 30, 2020			September 30, 2019	
	Quoted market price in active market	**No quoted market price in active market**	**Total**	Quoted market price in active market	No quoted market price in active market	Total
Asset Class						
Alternative investments:						
Other	**-**	**-**	**-**	-	205,523	205,523
	-	**-**	**-**	-	205,523	205,523
Cash and other assets	**-**	**-**	**-**	3,616	-	3,616
Total	**-**	**-**	**-**	3,616	205,523	209,139

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The Scheme assets do not include any transferable financial instruments of the Company or property occupied by the Company.

The trustee of the Scheme has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. This statement sets out the trustee's investment objectives and strategy. The trustee sets investment strategy taking into account the Scheme's liabilities, the strength of the funding position and the trustee's appetite to risk, after taking appropriate investment advice. The majority of assets are represented by insurance contracts.

Future cash flows:

Employer contributions expected to be paid to the Scheme in 2021 are £nil and employer deficit funding contributions expected to be paid to the Scheme in 2021 are £-k.

Under the Pension Act 2004, every UK defined benefit scheme is subject to a statutory funding objective which requires the scheme to hold sufficient and appropriate assets to cover it's "technical provisions". These provisions are determined at least every three years following agreement between the Company and the trustees of the scheme upon the assumptions to be used in the valuation. Assumptions agreed in this triennial process are not necessarily the same as those used in the annual IAS 19 calculations, where the Directors of the Company select the assumptions to be used.

Any technical provisions' shortfall arising is required to be remedied, and a recovery plan is agreed between the trustees and the Company, which will take into account financial and demographic factors for each scheme, as well as the financial strength (covenant) of participating employers. The timing and length of any recovery plan reflects the circumstances of each scheme, and results in a Schedule of Contributions which is signed by both Company and trustees (the employers contributions expected to be paid for the following year are stated above).

The effective date of the most recent triennial valuation for the VA Tech UK Pension Scheme was April 5, 2018.

Expected pension benefit payments:

	September 30,
2021	-
2022	-
2023	-
2024	-
2025	-
2026-30	

25. Provisions

Provisions changed during 2020 as follows:

	Warranties	**Order related losses and risks**	**Asset retirement obligations**	**Onerous lease obligations**	**Other**	**Total**
Balance at beginning of year	5,489	1,511	3,234	3,105	6,252	19,591
Changes due to implementation of IFRS16	-	-	1,523	(3,031)	(1,329)	(2,837)
Restated balance at beginning of year	5,489	1,511	4,757	74	4,923	16,754
Additions	1,350	4,829	-	-	709	6,888
Usage	(318)	(920)	-	(41)	(161)	(1,440)
Reversals	(993)	(361)	-	-	(208)	(1,562)
Transfers to group companies	(1,065)	(4,319)	(301)	(33)	(1,877)	(7,595)
Balance at end of year	**4,463**	**740**	**4,456**	**-**	**3,386**	**13,045**
Current provisions						**7,803**
Non-current provisions						**5,242**

Warranties

Warranties relate to products and services sold. See note 2 for further information concerning the Company's policy for estimating warranty provisions.

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Order related losses and risks

Provisions for order related losses and risks are recognised for anticipated losses on uncompleted construction, sales and leasing contracts.

Asset retirement obligation

Provisions for asset retirement obligations are the aggregate of the estimated discounted cash flows of obligations associated with the retirement of tangible long-lived assets.

Onerous lease obligations

Onerous lease obligations were the aggregate value of estimated discounted cash flows related to the costs of fulfilling contracts, or if lower, the costs of terminating contracts. Onerous lease obligations represented liabilities in respect of vacant properties. A provision was created at the point in time it became probable that the property will become underutilised. During the year a review of all onerous lease obligations was performed in light of the economic climate in the UK and implementation of IFRS 16. The Company reversed £3.03m of its obligation at the start of the year with the IFRS 16 implementation.

Other provisions

Other provisions are estimated obligations for the dilapidations for the leased properties and legal matters.

26. Share capital

Allotted, called up and fully paid:

	September 30,	
	2020	2019
1,000,000 (2019: 1,000,000) Ordinary Shares of £1 each	**1,000**	1,000

27. Commitments and contingencies

Guarantees and other commitments

On behalf of other Siemens group companies, the Company issued guarantees or indemnified the issuers of performance bonds in respect of contractual obligations totalling £83,254k (2019: £38,314k). These agreements have terms typically ranging between 1 and 26 years. Included in the 2020 figure is £67,623k in relation to businesses which have previously been disposed of where the guarantee has not yet been novated (2019: £26,714k). The Company has indemnities in place to cover these guarantees.

The Company implemented IFRS 16 on October 1, 2019 hence no comparative for the current year in table below.

As of September 30, 2019 future payment obligations under non-cancellable operating leases were as follows:

	2019 Total
Within one year	24,426
After one year but not more than five years	37,273
More than five years	7,259

Total operating rental expense for the year ended September 30, 2019 was £26,841k respectively.

Contingent liabilities

As of September 30, 2020 and 2019 there were no contingent liabilities to disclose.

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28. 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 £1,519k and £1,301k for the year ended September 30, 2020 and 2019 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, 2020 Siemens AG granted 37,508 (2019: 52,648) stock awards to 275 employees (2019: 298 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 (€)
	2020	**2020**	2019	2019
Non-vested, beginning of period	-	-	108,383	65.08
Non-vested, beginning of period due to merger of plans	**122,200**	**56.54**	-	-
Granted	**37,508**	**60.30**	52,648	47.03
Vested	**(30,701)**	**58.78**	(20,598)	58.04
Forfeited	**(22,662)**	**44.39**	(18,233)	58.45
Merger	**(36,896)**	**56.23**	-	-
Non-vested, end of period	**69,449**	**58.81**	122,200	59.48
Weighted average vesting period remaining in years		**1.91**		1.78

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 2020 and 2019 amounted to €2,262k and €2,476k respectively.

Share-matching program and its underlying plan

In 2020, Siemens issued a new tranche under each of the plans of the Share Matching Program.

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.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Share Incentive Plan

Siemens Share Incentive Plan was introduced in financial year 2019 for the UK employees. The concept is similar to the Share Matching Program whereby if you buy three shares in Siemens AG, you get an additional free matching share. It is a tax advantaged share ownership program designed to encourage employee share ownership in the UK. The maximum investment amount is £1,800 or 10% of your annual salary (if this is lower). Matching shares are allocated together with the acquisition of investment shares. If the investment shares and the matching shares are held for another two years in addition to a three year vesting period (five years in total), these are free of income tax and NIC when withdrawn from the plan.

In the year ended September 30 2020 Siemens AG granted 5,222 (2019: 5,969) shares to 907 (2019: 1,186) employees.

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 (€)
	2020	**2020**	2019	2019
Non-vested, beginning of period	**8,257**	**87.98**	5,493	91.59
Granted	**5,222**	**96.65**	5,969	84.48
Vested	**(1,902)**	**97.43**	(1,764)	89.32
Forfeited	**(1,654)**	**87.65**	(1,441)	82.78
Merger	**(3,110)**	**91.97**	-	-
Non-vested, end of period	**6,813**	**90.23**	8,257	87.98
Weighted average vesting period remaining in years		**1.22**		1.35

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 2020 and 2019 amounted to €505k and €504k respectively.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

29. 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, 2020	2019
Financial assets		
Financial assets measured at amortised cost	**1,090,506**	796,599
Cash and cash equivalents	**903**	-
Derivatives designated in a hedge accounting relationship	**-**	122
Derivatives not designated in a hedge accounting relationship	**67**	1,813
	1,091,476	*798,534
Financial liabilities		
Financial liabilities measured at amortised cost	**389,912**	401,612
Derivatives designated in a hedge accounting relationship	**-**	1,674
Derivatives not designated in a hedge accounting relationship	**90**	1,652
	390,002	404,938

* Restated for presentation purpose.

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

	September 30, 2020		2019	
	Fair value	**Carrying value**	Fair value	Carrying value
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	**903**	**903**	-	-
Trade and other receivables	**1,053,040**	**1,053,040**	792,875	792,875
Other current financial assets	**1,229**	**1,229**	1,475	1,475
Other assets	**36,237**	**36,237**	2,249	2,249
	1,091,409	**1,091,409**	796,599	796,599
Financial liabilities measured at cost or amortised cost				
Trade and other payables	**78,801**	**78,801**	127,490	127,490
Other current financial liabilities	**33,182**	**33,182**	16,872	16,872
Other financial liabilities	**277,929**	**277,929**	257,250	257,250
	389,912	**389,912**	401,612	401,612

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The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

Fixed-rate and variable-rate receivables, including receivables from finance leases, are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As of September 30, 2020 and 2019, the carrying amounts of such receivables, net of allowances, approximate their fair values.

Financial assets and liabilities measured at fair value are presented in the following table:

	September 30,	
	2020	2019
Financial assets measured at fair value		
Derivative financial instruments	**67**	1,935
Not designated in a hedge accounting relationship	***67***	*1,813*
In connection with cash flow hedges	**-**	*122*
Financial liabilities measured at fair value		
Derivative financial instruments	**90**	3,326
Not designated in a hedge accounting relationship	***90***	*1,652*
In connection with cash flow hedges	**-**	*1,075*
Embedded derivatives	**-**	*599*

The Company limits default risks from derivative instruments by a careful counterparty selection. Derivative instruments are generally transacted with financial institutions with investment grade credit ratings. The fair valuation of derivative financial instruments at Siemens incorporates all factors that market participants would consider, including the counterparties' credit risks. The exact calculation of fair values for derivative financial instruments depends on the specific type of instrument:

Derivative currency contracts — The fair value of forward foreign exchange contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models.

In determining the fair values of the derivative financial instruments, no compensating effects from underlying transactions (e.g. firm commitments and forecast transactions) are taken into consideration.

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, 2020 and 2019 are categorised as level 2.

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

	September 30, 2020	2019
Loans and receivables	**(1,844)**	(3,908)
Derivatives with a hedging relationship	**312**	(337)
Derivatives without a hedging relationship	**327**	397
Financial assets / (liabilities) measured at amortised cost	**(883)**	232

Net 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 gains / (losses) on derivatives with a hedging relationship consist of changes in the fair value of derivative financial instruments (including interest income and expense), for which hedge accounting is applied.

Net gains on derivatives without a hedging relationship consist of changes in the fair value of derivative financial instruments (including interest income and expense), for which hedge accounting is not applied.

Net (losses) / gains 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.

Net (losses) / gains on financial assets and liabilities measured at amortised cost are comprised of gains or losses from derecognition and the ineffective portion of fair value hedges.

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.

Derivative financial instruments and hedging activities

The following is a summary of the Company's risk management strategies and the effect of these strategies on the financial statements.

Foreign currency exchange risk management

As part of the Company's risk management program, a variety of derivative financial instruments are used to reduce risks resulting primarily from fluctuations in foreign currency exchange rates, as well as to reduce credit risks.

The fair value of each type of derivative financial instrument recorded as financial assets or financial liabilities is as follows:

	2020		2019	
	Asset	**Liability**	Asset	Liability
Foreign currency exchange contracts without hedging relationship	**67**	**90**	1,813	1,652
Foreign currency contracts in connection with cash flow hedges	**-**	**-**	122	1,075
Embedded derivatives	**-**	**-**	-	599
	67	**90**	1,935	3,326

The Company's significant transactions in foreign currencies expose it to significant foreign currency exchange risks in the ordinary course of business. The Company employs various strategies, discussed below, involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Derivative financial instruments not designated in a hedging relationship

The Company manages its risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and forecast transactions primarily through a Company-wide portfolio approach. Under this approach the Company-wide risks are aggregated centrally, and various derivative financial instruments, primarily foreign exchange contracts, are utilised to minimise such risks. Where hedge accounting does not apply, all such derivative financial instruments are recorded at fair value on the Statement of Financial Position, either in line items *Other current financial assets* or *Other current financial liabilities,* and changes in fair values are charged to *net income or loss.*

The Company also has foreign currency derivative instruments, which are embedded in certain sale and purchase contracts denominated in a currency that is neither the functional currency of the substantial parties to the contract nor a currency which is commonly used in the economic environment in which the contract takes place. Gains or losses relating to such embedded foreign currency derivatives are reported in Cost of sales in the Statement of Income. 2020: £(85)k (2019: £392k).

Hedging activities

The Company applies hedge accounting for certain significant anticipated transactions and firm commitments denominated in foreign currency. Particularly, the Company entered into foreign currency exchange contracts to reduce the risk of variability of future cash flows resulting from forecast sales and purchases and firm commitments. This risk results mainly from contracts denominated in U.S dollars, DKK and Euros both from Siemens' business units entering into long-term contracts, for example project business, and from standard product business.

Cash flow hedges — The effective portion of the changes in fair value of forward exchange contracts that were designated as foreign currency cash flow hedges are recorded in *Other Comprehensive Income*. The ineffective portion is recorded in the Statement of Income. During the years ended *September 30, 2020* and *2019*, *£227*k and *£55*k respectively were reclassified from *Other Comprehensive Income* into net income because the occurrence of the related hedged forecasted transaction was no longer probable.

It is expected that £(237)k of accumulated gains or losses due to the revaluation of derivative hedging instruments in *Other Comprehensive Income* will be reclassified into *Cost of goods sold and services rendered* in the Statement of Income during the year ended September 30, 2021, when the hedged forecasted foreign-currency denominated sales and purchases occur.

As of September 30, 2020 the maximum length of time over which the Company is hedging its future cash flows associated with foreign currency forecasted transactions is 54 months.

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 £276k in 2020.

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, 2020, that defaults in payment obligations will occur.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of £)

Market risk

Market fluctuations may result in significant cash flow and profit volatility risk for Siemens plc. 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 Chief Financial Officer 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 24.

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.

The tables below show the net foreign exchange transaction exposure by major currencies as of September 30, 2020 and 2019:

As at September 30, 2020	**US$**	**DKK**	**Euro**	**Other**	**Total**
Gross Statement of Financial Position exposure	**(3,156)**	**-**	**(16,932)**	**761**	**(19,327)**
Thereof: Financial asset	*-*	*-*	*-*	*878*	*878*
Thereof: Financial liabilities	*(3,156)*	*-*	*(16,932)*	*(116)*	*(20,204)*
Gross exposure from firm commitments and anticipated transactions	**(619)**	**40**	**583**	**209**	**213**
Foreign exchange transaction exposure	**(2,921)**	**70**	**(14,420)**	**970**	**(16,301)**
Economically hedged exposure	**1,508**	**-**	**(7,879)**	**(600)**	**(6,971)**
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(390)	6	(1,415)	37	(1,762)

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As at September 30, 2019	**US$**	**DKK**	**Euro**	**Other**	**Total**
Gross Statement of Financial Position exposure	**(2,233)**	**-**	**(14,552)**	**920**	**(15,864)**
Thereof: Financial asset	-	-	-	*1,059*	*1,059*
Thereof: Financial liabilities	*(2,233)*	-	*(14,552)*	*(139)*	*(16,923)*
Gross exposure from firm commitments and anticipated transactions	(975)	12	(6,083)	213	(6,834)
Foreign exchange transaction exposure	**(3,124)**	**55**	**(11,637)**	**1,133**	**(13,573)**
Economically hedged exposure	1,778	-	(8,636)	(696)	(7,554)
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(135)	5	(2,027)	44	(2,113)

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	**119,234**	**24,768**	**29,923**	**226,194**
Obligations under leases	**21,708**	**16,205**	**21,864**	**15,148**
Trade payables	**82,996**	**-**	**-**	**-**
Other financial liabilities	**14,530**	**8,563**	**8,059**	**211,046**
Derivative financial liabilities	**90**	**-**	**-**	**-**

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2020.

The Company has £9,018k (2019: £21,360k) 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.*

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

	September 30,	
	2020	2019
Cash and cash equivalents	**903**	-
Receivables from group companies	**23,357**	8,437
Total liquidity	**24,260**	8,437
Short term debt and current maturities of long-term debt	**(18,875)**	(13,486)
Liabilities under leases	**(67,385)**	(21,740)
Amounts due to group companies	**(9,018)**	*(21,360)
Long-term debt	**(223,234)**	(237,144)
Total debt	**(318,512)**	(293,730)
Net debt	**(294,252)**	(285,293)

*Restated to correct disclosure in prior year - previously £(13,446)k.

In addition to the balances above, which are held with Siemens AG in the group cash pooling facility, receivables from Siemens group companies of £938,430k (2019: £675,159k), amounts due to Siemens group companies of £7,473k (2019: £7,914k) 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 2020 was 4.14 (2019: 3.08). The Company also has access to Siemens AG cash pooling arrangement when necessary.

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30. Related party transactions

Transactions between the Company and its 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 2020	Year ended 2019	**Year ended 2020**	Year ended 2019	**Year ended 2020**	Year ended 2019	**Year ended 2020**	Year ended 2019	**Year ended 2020**	Year ended 2019	**Year ended 2020**	Year ended 2019
Parent company	**-**	-	**1,121**	1,121	**-**	-	**-**	-	**-**	-	**8,809**	9,259
Other Siemens group companies	**273,846**	479,784	**411,825**	371,278	**200,654**	244,973	**73**	(47)	**3,661**	9,606	**815**	268

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

	Purchases of property	Transfers of research and development	
	Year ended 2020	**Year ended 2020**	Year ended 2019
Other Siemens group companies	**1,120**	**4,008**	5,016

The purchase and sale of properties and transfers of other assets in relation to acquisitions and disposals of other Siemens group companies in the year are disclosed in note 3.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	**2020**	2019
Other Siemens group companies	**710**	1,008	**10,541**	12,548

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.

The amounts owed to group companies for purchases of goods given above are disclosed within inventory as goods in transit in 2020 and 2019.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	**2020**	2019
Parent company	**-**	11,102	**239,321**	250,494
Other Siemens group companies	**948,204**	672,493	**5,514**	21,360

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.

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31. 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, 2020	2019
Short-term employee benefits	**1,893**	1,826
Post-employment benefits	**13**	17
Termination benefits	**1,771**	-

32. Subsequent events

On 20 November 2020, the High Court released another ruling regarding a claim involving Lloyds Banking Group's defined benefit pension schemes. The court has now concluded that schemes should be amended in order to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits on certain historic transfers out. The issues determined by the court have a potential consequence for many other defined benefit pension schemes. We are currently working with the trustees of our pension scheme, and our actuarial and legal advisors, to understand the extent to which the judgement crystalises additional liabilities. We have been advised by our actuaries based on their initial assessment and best estimate that the impact on this financial statement is unlikely to be material.

The impact of Brexit is discussed on page 1 in the Strategic report.

33. Ultimate parent undertaking

The ultimate parent undertaking is Siemens AG, incorporated in Germany. Siemens AG is the only group undertaking of which the Company is a member for which group financial statements are prepared. 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

The immediate parent undertaking is Siemens Holdings plc, a company incorporated in England and Wales.

34. Dividends paid

	Year ended September 30, 2020	2019
Dividends paid	**-**	875,000

There was no dividend paid during the year to the immediate parent undertaking (see note 33) (2019: £875m)