

SIEMENS INDUSTRY SOFTWARE LIMITED
Annual report and financial statements
Registered number 03476850
September 30, 2020

SIEMENS INDUSTRY SOFTWARE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2020

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SIEMENS INDUSTRY SOFTWARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2020

The directors of Siemens Industry Software Limited (“the Company”) present the annual report containing a strategic report, directors’ report and the financial statements for the year ended September 30, 2020. In these financial statements, the terms ‘Group’ and ‘Siemens’ refer to the Company’s ultimate parent undertaking, Siemens AG.

STRATEGIC REPORT

Principal activities

Siemens Industry Software Limited is engaged in PLM (Product Lifecycle Management), **MES** (Manufacturing Execution Systems) and **CIS** (COMOS Industry Solutions) Software business units. The main part of the operation is **PLM**. Our strategy is to align and establish a Siemens Industry Software Business Model with processes, governance and systems based on the existing PLM approach and structure.

We work collaboratively with companies to deliver open solutions that help them turn more ideas into successful products; our mantra is we never let our customers fail.

PLM is one of the major categories of enterprise software along with enterprise resource planning (ERP), supply chain management (SCM) and customer relationship management (CRM). PLM is mainly delivered as an out of the box solution with related services. The UK and wider global markets are continuing to mature, with more companies adopting the methodology as core to their approach. The expectation being that PLM will achieve similar levels of saturation as the other primary enterprise software solutions.

PLM is an increasingly important and visible enterprise business strategy that enables an enterprise to fully marshal the skills, expertise, knowledge, experience, creativity and ideas of its people and apply them collaboratively at every stage of a product’s lifecycle. As a result, PLM helps companies derive maximum business value from their products, beginning the day they are conceived and continuing all the way until they are retired. Customers adopt PLM to accelerate their business growth and innovation in processes and products and we are committed to helping customers attain these goals.

PLM software encompasses both collaborative product development management (cPDM) applications and CAx applications. CAx includes computer aided design (CAD), computer aided engineering (CAE) and computer aided manufacturing (CAM) applications. CAx applications allow manufacturers to transform product sketches into digital representations, to digitally simulate performance and to design manufacturing processes. cPDM applications manage CAx and other product related data and share and control that data in real-time throughout the customer’s organisation and with external suppliers, designers and engineers.

Our typical customers use PLM software and services to develop and manufacture products with complex design requirements and include leaders in the automotive and transportation, aerospace and defence, consumer products, equipment and machinery, shipbuilding and high-tech electronics industries.

MES is a dynamic information system that drives effective execution of manufacturing operations. Using current and accurate data, MES guides, triggers and reports on plant activities as events occur. MES is a set of highly-integrated components, designed to integrate the systems within each factory, standardise production across the entire enterprise and keep manufacturing processes aligned with supply chain activity. It is a highly scalable solution that delivers multiple capabilities and enables optimum utilisation with high production quality at lower cost. Our manufacturing execution system, SIMATIC IT offers a tailor-made system to customers to access all their real-time process information companywide.

CIS delivers an integrated software solution that provides plant design engineers, plant operating personnel, company management and solution partners with a continuous flow of data that meet their specific needs across all project phases.

General business review - Statement of Income

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

The Company made a net income for the financial year, net of taxation of £6,502k (2019: £6,094k).

The Company earns revenue from three primary sources: licence, maintenance and services. The key measures of the operational business are growth of these revenue streams. Total turnover for the year ended September 30, 2020 was £112m (2019: £117m). The software revenue declined as the prior year performance benefited from IFRS15 upfront revenue recognition application on a number of key, material, multi-year new and renewal orders. The other revenue sources remained static as compared to last year.

Operating costs for the same comparative 12 months period have decreased 5% to £104.4m from £109.6m, which is primarily related to reduction in royalty expense in direct relation to revenue decline. The overall operating profit remained static as compared to the last year.

The directors have also considered the additional risks related to the coronavirus disease (“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.

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 as at September 30, 2020 and 2019.

General business review - Statement of Financial Position

Overall, the balance sheet remains stable with the net income for the year of £6.5m increasing total equity to £74.5m (2019: £67.9m). This corresponds to an increase in investments of £17.1m from the share purchase of Mendix Technology Limited and Mentor Graphics UK Limited, an increase in non-current assets of £6.9m from the asset and liability transfer of Mendix Technology Limited and an increase of £4.9m from the Right of use assets offset by an corresponding net decrease of £6m of receivables from group companies, increase of finance lease liability of £5m and increase of £5m of other tax liabilities.

General business review – Statement of Cash Flow

Net cash generated by the operating activities increased by £19.8m in 2020 (£12.6m increase in 2019). This is primary driven by a decrease in contract assets of £12m, increase in depreciation of £2m and other working capital. Net cash outflows from investing activities increased by £16m, driven by a cash outflow of £22m due to the share purchase of Mendix Technology Limited and Mentor Graphics UK Limited offset by cash inflow of £4.3m from the dividends received from investments. Net cash inflow from financing activities increased by £3.8m in the current year.

Analysis of Financial Key Performance Indicators

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

Principal risks and uncertainties

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

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

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

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

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

Employees	
<i>Striving to be an employer of choice, the Company places value on creating a culture of learning, promoting diversity and fostering equality</i>	
Engagement	Key topics, decisions and outcomes influenced by this stakeholder group
<p>As a Siemens company Siemens Industry Software Limited succeeds through its people. Fostering the health and performance of Siemen Industry Software’s employees as well as safeguarding their working conditions are core to the Company’s social and business commitment.</p> <p>The views of our employees are critical in helping us to continually improve ourselves as an organisation, and regular employee engagement surveys enable us to both further understand our employees’ perspectives and generate ideas which can benefit everyone.</p> <p>Our communication and engagement arrangements are continuously improved with employee involvement</p> <p>A culture of learning is encouraged in many ways. Examples include regular performance reviews and development discussions for all employees; internal and external training; sponsorship of qualifications at all levels.</p>	<p>Particular attention has been devoted to raising awareness of mental health issues. The Company does a lot of work with its mental health partner, Mind, ensuring employees feel equipped to cope with the mental stresses and strains of life. We are encouraging all people managers to attend a series of training organised by Zurich in 2021 which includes topics such as identifying and managing work-related stress and promoting resilience and a series on Mental health awareness. In the meantime, considerable effort has been devoted to promoting mental and physical health to those working at home, as well as those on site. This has encouraged a more open culture, enabling support to be provided as required. Employees also have access to a confidential Employee Assistance Programme.</p> <p>Employees have many opportunities to learn about and influence Company decisions, including:</p> <ul style="list-style-type: none"> • The annual employee engagement survey • Monthly team briefs, including Q&As (the current briefing format was introduced as a result of feedback from the engagement survey) • Regular Town Hall meetings • 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. • Regular employee townhalls with FAQs • The intranet and a regular newsletter are used to communicate news of activities and initiatives going on in the Company. <p>At the beginning of the pandemic we held several meetings with our employee representative groups that enabled open discussions to take place and acceptable solutions to be found to all the challenges that arose. This was supported by frequent communication through a variety of channels, including regular townhalls and detailed Frequently Asked Questions that aimed to address employees’ concerns.</p> <p>Career development meetings were introduced as a result of engagement survey feedback for any interested employees and for those identified as having the potential to progress. A Competency Matrix was introduced in FY20 to further increase the focus on development.</p>

<p>Diversity and Inclusion initiatives have focused on inclusive culture, LGBT inclusion, racial and gender equality, and equal opportunities for people with disabilities.</p>	<p>The Management team recognises the value of diversity and inclusion and is committed to truly embed it in everything the Company does. Several initiatives, policies and programmes are underway to achieve this including playbooks shared with people managers on diversity and inclusion. In addition, all people managers have attended “unconscious bias” training and other training has been made available for people managers and employees.</p> <p>We continue to encourage diversity in the workplace through our active global diversity council and supporting our 11 employee resource groups (ERGs). These groups are open to all Siemens employees.</p> <p>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.</p>
<p>Customers, Suppliers and Business Partners</p> <p><i>Business relationships with the Company’s customers, suppliers, and other business partners are fundamental.</i></p>	
<p>Engagement</p>	<p>Key topics, decisions and outcomes influenced by this stakeholder group</p>
<p>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.</p>	<p>The Company has continued to keep its customers and suppliers informed of its Brexit preparations which have been overseen by the SLT. Actions include resource planning, reviewing, and where necessary, adjusting our systems and processes and working with our customers in order to minimise disruption to our services.</p> <p>The company has continued to support customer timelines and milestones, moving to full remote delivery on all projects and where requested by the customer adapted delivery scope and timescales to support the change in customer priorities driven by the global impact of the pandemic.</p> <p>All events moved from physical to digital and continued to be provided to customers, supporting their need to remain educated on the technologies they could be adopting to improve their business.</p>
<p>Communities and Environment</p> <p><i>The Company serves society wherever it operates and as a globally active company with innovative and investment capabilities the Company shares responsibility for sustainable development worldwide.</i></p>	
<p>Engagement</p>	<p>Key topics, decisions and outcomes influenced by this stakeholder group</p>
<p>The Company supports the charitable endeavours of its employees and customers.</p>	<p>Siemens supports many organizations around the world through Sponsorships, Donations and Other Contributions. Memberships in various associations or contributions to certain groups and activities are an essential part of our Corporate Social Responsibility program, our leadership in industry initiatives and our programs to strengthen the Siemens brand. Employees can also make donations to a number of charities via monthly or one -off payroll deductions to Charities Trust.</p>

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Government, Regulators and Trade Associations	
<i>Continuous dialog with policymakers is extremely important for the success of a company like Siemens Industry Software Limited.</i>	
Engagement	Key topics, decisions and outcomes influenced by this stakeholder group
<p>As a member of the Siemens group of companies, Siemens Industry Software Limited is politically neutral, but we operate in markets which are shaped by UK Government policy, either directly or indirectly.</p> <p>Our external engagement is governed in full accordance with our Company commitment to responsible and sustainable business. These allow the Company to engage with peers and regulators to discuss emerging policies, regulation, and innovation.</p>	<p>The company continued to support the Innovate UK Catapult Network providing world-leading technology and expertise to enable innovation for UK businesses to continue.</p>
The Siemens AG Group Companies	
<i>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.</i>	
Engagement	Key topics, decisions and outcomes influenced by this stakeholder group
<p>The main aim of the Vision 2020+ strategy is to give Siemens' individual businesses including Siemens Industry Software Limited, significantly more entrepreneurial freedom under the strong Siemens brand where appropriate, in order to sharpen their focus on their respective markets. The strategic decisions of the Siemens AG Group influence the decisions taken by the SLT which, in turn, adapts the Group strategy for the UK market taking into account UK customer and employee needs. The SLT have strong relationships with all key stakeholders across the wider Siemens Group, which ensures that the global strategy and expectations are understood and considered as part of the Company's strategic decisions for the UK.</p>	<p>The Company's management participates in Siemens forums and conferences at a global and UK level, which also includes functionally as well.</p> <p>Employees are able to join regular webinar updates given by Siemens management, with regard to the Company's strategy and performance. These take place at a global, country and business level.</p> <p>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.</p>

Signed by order of the board of directors.

Sheath Ben
Digitally signed by Sheath Ben
 DN: cn=Sheath Ben,
 o=Siemens,
 email=ben.sheath@siemens.com
 Date: 2021.02.12 12:13:53

B Sheath
 Director

Approved by the directors on February 12, 2021

Registered office:
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 Surrey
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SIEMENS INDUSTRY SOFTWARE LIMITED

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DIRECTORS' REPORT

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

B Holliday
D MacAskill
B Sheath

Two directors declared their interests as being directors of both Siemens Industry Software Limited and Preactor International Limited.

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 have not recommended a dividend (2019: £nil).

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company spent £4,007k (2019: £4,425k) on research and development.

INTELLECTUAL PROPERTY

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

FINANCIAL INSTRUMENTS

Siemens Industry Software Limited's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 26 to the financial statements.

SUBSEQUENT EVENTS

As of October 6, 2020, Lightworks Design Limited and Lightworks Software Limited have been dissolved. There were no other subsequent events to be disclosed.

GOING CONCERN

The Directors are carefully monitoring the potential impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business to 28th February 2022. The current trading is in line with the updated forecasts and the valuation of assets and liabilities are not expected to have an adverse impact in the short term.

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

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

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

STREAMLINED ENERGY & CARBON REPORTING (SECR)

Energy consumption used to calculate emissions: kWh	1,819,189
Gas Consumption (kWh)	552,456
Electricity Consumption (kWh)	406,069
Transport fuel (kWh)	860,664
Emissions from combustion of gas tCO ₂ e (Scope 1)	102
Emissions from business travel in rental cars or employee -owned vehicles where company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	224
Emissions from purchased electricity tCO ₂ e (Scope 2, location -based)	75
Emissions from purchased electricity tCO ₂ e (Scope 2, market -based)	75
Total gross tCO ₂ e based on above	400
Intensity ratio: tCO ₂ e gross figure based from mandatory fields above/ £100,000 turnover	0.358
Methodology	<p>All the SECR data requirements for unquoted 'large' companies have been met and the energy consumption and emissions are reported above. This includes UK consumption of electricity, gas and transport fuels where the company is responsible for the fuels.</p> <p>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.</p> <p>UK Government greenhouse gas emissions conversion factors for 2019 have been applied as these were applicable for the majority of the financial year.</p> <p>Scope 2 emissions from purchased electricity have been calculated using the location-based and market-based approaches.</p>
Energy Efficiency Action:	<p>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. The ICP funded a 6 weeks 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.</p>

GROUP POLICIES

Employee engagement

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

Environmental

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

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Equal opportunities

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

Business Stakeholders

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

POLITICAL DONATIONS

No political donations were made 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.

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

Signed by order of the board of directors

Sheath Ben
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B Sheath
Director

Approved by the directors on February 12, 2021

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SIEMENS INDUSTRY SOFTWARE LIMITED

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

YEAR ENDED 30 SEPTEMBER 2020

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws in the United Kingdom and those International Accounting Standards in conformity with the requirements of 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;
- ▶ 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, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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 INDUSTRY SOFTWARE LIMITED

Opinion on financial statements

We have audited the financial statements of Siemens Industry Software Limited for the year ended September 30, 2020 which comprise Statement of Income, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Equity and the related notes 1 to 30, 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 state 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 below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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 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.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinion 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 knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

Reading
February 12, 2021

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF INCOME

For the year ended September 30, 2020 and 2019 (in thousands of £)

	Note	2020	2019
Revenue	4	111,887	116,991
Cost of sales		(68,281)	(78,952)
Gross profit		43,606	38,039
Research and development expenses		(4,007)	(4,425)
Marketing and distribution expenses		(28,891)	(24,379)
Administrative expenses		(3,212)	(1,705)
Other operating expenses	6	-	(122)
Operating profit	5	7,496	7,408
Loss from investments accounted for using the equity method, net		(4,042)	-
Interest income	9	46	338
Interest expenses	9	(82)	(5)
Other financial income, net		4,272	-
Income from continuing operations before income taxes		7,690	7,741
Income tax expense	10	(1,192)	(1,647)
Income from continuing operations, net of income taxes		6,498	6,094
Net income for the financial year		6,498	6,094

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

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF FINANCIAL POSITION

For the year ended September 30, 2020 and 2019 (in thousands of £)

	Note	2020	2019
ASSETS			
Trade and other receivables	11	48,785	58,598
Other current financial assets		30	1
Contract assets	12	18,985	18,032
Inventories	13	196	360
Current income tax assets		941	484
Other current assets	14	989	1,297
Total current assets		69,926	78,772
Goodwill	15	14,304	8,170
Other intangible assets	16	-	-
Property, plant and equipment	17	5,920	1,037
Investments	18	21,930	4,828
Other financial assets		133	-
Deferred tax assets	10	245	300
Other assets		90	204
Total non-current assets		42,622	14,539
Total assets		112,548	93,311
LIABILITIES AND EQUITY			
Short-term lease liability		2,000	-
Trade payables	19	8,227	4,620
Other current financial liabilities		968	446
Contract liabilities	12	9,398	9,965
Current provisions	22	77	134
Current income tax liabilities		-	-
Other current liabilities	20	14,334	10,139
Total current liabilities		35,004	25,304
Long-term lease liability		3,099	-
Provisions	22	-	65
Other liabilities		29	24
Total non-current liabilities		3,128	89
Total liabilities		38,132	25,393

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF FINANCIAL POSITION

For the year ended September 30, 2020 and 2019 (in thousands of £)

	Note	2020	2019
Equity			
Share capital	23	8,393	8,393
Capital contribution reserve		208	208
Retained earnings		65,815	59,317
Total equity		74,416	67,918
Total liabilities and equity		112,548	93,311

These financial statements were approved and authorised for issue by the board of directors on February 12, 2021 and were signed on their behalf by:

MacAskill
Darren

Digitally signed by MacAskill Darren
DN: cn=MacAskill Darren,
o=Siemens,
email=darren.macaskill@siemens.com
Date: 2021.02.12 12:17:49

D L MacAskill
Director

Registered number: 03476850
Siemens Industry Software Limited

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF CASH FLOWS

For the year ended September 30, 2020 and 2019 (in thousands of £)

	Note	2020	2019
Cash flows from operating activities			
Net income for the financial year		6,498	6,094
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation and amortisation	5, 16, 17	2,348	501
Income tax expenses	10	1,192	1,647
Interest expenses / (income), net	9	36	(332)
Dividends received		(4,272)	-
Losses on disposal of property, plant and equipment, net		4	1
Impairment of investments	18	4,042	-
Operating profit before changes in working capital and provisions		9,848	7,911
Changes in assets and liabilities			
Inventories		184	(360)
Contract assets		(923)	(12,855)
Trade and other receivables		(935)	(3,494)
Other current assets		426	184
Trade payables and accrued expenses		(388)	386
Contract liabilities		(1,118)	(2,063)
Current provisions		(57)	129
Other current liabilities		4,612	2,143
Long term assets		(19)	(185)
Long term liabilities		(60)	(136)
Cash generated from / (used in) operations		11,570	(8,340)
Research and Development tax credit		(269)	(211)
Income taxes paid		(1,823)	(2,106)
Interest (paid) / received		(36)	332
Cash flows from operating activities – continuing operations		9,442	(10,325)
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	16, 17	(325)	(745)
Purchase of investments	18	(21,929)	-
Disposal of intangibles and property, plant and equipment	16, 17	2	3
Disposals of investments	17	786	-
Purchase of trade and assets of other entities	3	(5,622)	(6,034)
Dividends received		4,272	-
Cash flows from investing activities – continuing operations		(22,816)	(6,776)

SIEMENS INDUSTRY SOFTWARE LIMITED**STATEMENT OF CASH FLOWS****For the year ended September 30, 2020 and 2019 (in thousands of £)**

	Note	2020	2019
Cash flows from financing activities			
Change in financing from other group companies	11, 20	15,194	17,101
Repayment of lease liabilities		(1,820)	-
Cash flows from financing activities – continuing operations		13,374	17,101
Change in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

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

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

SIEMENS INDUSTRY SOFTWARE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the years ended September 30, 2020 and 2019 (in thousands of £)

	Share capital	Capital contribution reserve	Retained earnings	Total equity
Brought forward October 1, 2018	8,393	208	53,223	61,824
Net income for the financial year	-	-	6,094	6,094
Total comprehensive income for the financial year	-	-	6,094	6,094
Balance at September 30, 2019	8,393	208	59,317	67,918
Brought forward October 1, 2019	8,393	208	59,317	67,918
Net income for the financial year	-	-	6,498	6,502
Total comprehensive income for the financial year	-	-	6,498	6,502
Balance at September 30, 2020	8,393	208	65,815	74,416

Capital contribution reserve

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

1. Basis of presentation

The accompanying financial statements present the operations of Siemens Industry Software Limited ("the Company") and have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements were authorised for issue by the Board of Directors on February 12, 2021. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

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

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 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 Company's business activities together with the factors likely affecting its future development are described in the Strategic report.

The Directors are carefully monitoring the potential impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business to 28th February 2022. The current trading is in line with the updated forecasts and the valuation of assets and liabilities are not expected to have an adverse impact in the short term.

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

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

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

2. Summary of significant accounting policies and critical accounting estimates

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

Business integrations from Siemens group companies are accounted for either:

- at cost in the acquiring company and goodwill is only recorded by the acquiring company if the goodwill was already an asset on the acquired company's Statement of Financial Position, or if the goodwill value was previously included in the carrying value of the acquiring company's investment in the subsidiary undertaking from which the trade has been purchased.
- at the fair value of the assets acquired and liabilities incurred or assumed at the date of exchange ('fair value'). Goodwill is recorded by the acquiring company as the difference between the fair value and the consideration paid to the selling company.

Foreign currency transaction — Transactions that are denominated in a currency other than the functional currency of an 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.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

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

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

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

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

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

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

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

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

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

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

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

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired companies, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, discounted cash flow calculation 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 and weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. See note 15 for further information.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

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

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

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

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

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

Financial instruments — A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company does not use the category held to maturity and does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases. For additional information refer to note 25.

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

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

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

Valuation allowances are set up for expected credit losses, representing a forward-looking estimate of future credit losses involving significant judgment. Expected credit loss is the gross carrying amount less collateral, multiplied by the probability of default and a factor reflecting the loss in the event of default. The movement on the valuation allowance is given in note 25. Valuation allowances are not recognised when the gross carrying amount is sufficiently collateralised. Probabilities of default are mainly derived from rating grades determined by SFS. A simplified approach is used to assess expected credit losses from trade receivables, lease receivables and contract assets by applying their lifetime expected credit losses. The valuation allowance for loans and other long-term debt instruments primarily held at SFS is measured according to a three-stage impairment approach:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

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

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

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

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

Leases

- Leases in which the Company is the lessee:

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

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

- Leases in which the Company is the lessor:

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

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

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

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

- Leases in which the Company is the lessee:

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

- Leases in which the Company is the lessor:

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

Pension costs

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

Borrowing costs — The Company pays or receives interest on some of 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.

NOTES TO THE FINANCIAL STATEMENTS

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 has adopted the new accounting pronouncements which have become effective this fiscal year, and are as follows:

IFRS 16 'Leases' IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 October 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 1.2%.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Property plant and equipment comprise owned and leases asset that do not meet definition of investment property.

	Note	30 September 2020
Property plant and equipment owned		889
Right of use assets, except for investment property		5,032
	17	5,921

The Company leases many assets including land and buildings, vehicles, IT equipment. Information about leases for which the Company is a lessee is included in note 17 (PP&E).

Amounts recognised in Income statement

	2020
Interest on lease liabilities	61

Amounts recognised in Statement of cash flows

Total cash outflow for leases 1,820

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

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

Total operating lease commitments disclosed at 30 September 2019	-
Recognition exemptions:	
• Leases of low value assets	-
• Leases with remaining lease term of less than 12 months	-
Variable lease payments not recognised	5,301
Other minor adjustments relating to commitment disclosures	-
	<u>5,301</u>
Operating lease liabilities before discounting	5,301
Discounted using incremental borrowing rate	(115)
Operating lease liabilities	-
Reasonably certain extension options	-
Finance lease obligations	-
Total lease liabilities recognised under IFRS 16 at 1 October 2019	<u>5,186</u>

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	30 September 2020
Current	2,000
Non- current	3,098

Lease payments not considered as a liability

Short term leases	-
Leases of low value assets	-

Impact on financial statements

On transition to IFRS 16 the Company recognised an additional £5,186K of right of use assets and £5,186K of lease liabilities, recognising the difference between these in retained earnings.

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 October 2019. The weighted average rate applied is 1.196%.

The following is the reconciliation of the financial statements line items from IAS 17 to IFRS 16 at 1 October 2019

	Carrying amount at 30 September 2019 / Reported	Impact of IFRS 16 adoption	Restated
Property plant & equipment	1,037	5,186	6,223
Lease liabilities	-	(5,186)	(5,186)
Total	1,037	-	1,037

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

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 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.

SIEMENS INDUSTRY SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

3. Acquisitions and discontinued operations

Trade and asset acquisitions of group companies

The Company acquired the trade and assets of the following group company during the financial years ending September 30, 2020 and September 30, 2019:

Name of company acquired from	Date of acquisition	
Mendix Technology Limited	April 1, 2020	Digital Industry
Siemens Industry Software Simulation and test Limited	June 1, 2019	Digital Industry
Lightworks Design Limited	December 1, 2018	Digital Industry

Mendix Technology Limited is the leading low-code software development platform. With this acquisition, Siemens want to grow the low-code business into the industrial accounts on top of DI Software portfolio. Goodwill was recognised as a result of the acquisition of the trade and assets of Mendix Technology Limited in 2020:

Total consideration transferred	5,622
Add: Value of identifiable net liabilities	512
	<hr/>
Goodwill	6,134
	<hr/>

For the years ended September 30, 2020 and September 30, 2019 the above net identifiable assets and liabilities are valued at acquisition at fair value (based on book values where appropriate). Consideration for the trade and assets acquired from group companies in both 2020 and 2019 were settled via intercompany accounts or cash.

4. Revenue

Revenue is earned from the business category of Digital Industries.

Timing of revenue recognition

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

	2020	
	Within one year	More than one year
Revenue	28,470	12,456
	<hr/>	<hr/>
	28,470	12,456
	<hr/>	<hr/>

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

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

	Year ended September 30,	
	2020	2019
Net foreign exchange losses	181	160
Research and development costs	4,007	4,425
Depreciation of property, plant and equipment (see note 17)	2,348	484
Amortisation of intangible assets (see note 16)	-	17
Impairment of investments (see note 18)	4,042	-
Staff costs (see note 7)	57,506	51,151
Research and Development Expenditure Credit	(269)	(211)
Auditor's remuneration:		
- audit of financial statements	88	80

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

SIEMENS INDUSTRY SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

6. Other operating income / (expense)

	Year ended September 30,	
	2020	2019
Loss on disposal of property, plant and equipment and intangibles	(4)	(1)
Other	4	(121)
	<u> </u>	<u> </u>
	-	(122)
	<u> </u>	<u> </u>

7. Staff numbers and costs

	Year ended September 30,	
	2020	2019
Wages and salaries	47,106	41,720
Social security costs	6,201	5,531
Expenses relating to pension plans and employee benefits	4,199	3,900
	<u> </u>	<u> </u>
	57,506	51,151
	<u> </u>	<u> </u>

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 601 and 568, 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	2019
	Number	Number
Manufacturing and services	132	124
Sales and marketing	248	224
Research and development	221	220
	<u> </u>	<u> </u>
	601	568
	<u> </u>	<u> </u>

8. Directors' emoluments

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

	Year ended September 30,	
	2020	2019
Emoluments receivable	357	414
Employer contributions to money purchase schemes	43	37
	<u> </u>	<u> </u>
	400	451
	<u> </u>	<u> </u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £260,170 (2019: £321,726). Two directors are members of the defined contributions scheme. None of the directors are members of a defined benefit scheme. Share-based payments are described in note 2.

NOTES TO THE FINANCIAL STATEMENTS

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
Interest income	76	341
Interest income - negative income on financial assets	(30)	(3)
Interest income, net	46	338
Interest expense	(21)	(5)
Interest expense - on financial lease	(61)	-
Interest expense, net	(82)	(5)
Thereof: Interest expense of operations, net	(30)	(3)
Thereof: Other interest income / (expense), net	(6)	336

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

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

10. Taxes

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

	Year ended September 30,	
	2020	2019
Current tax:		
UK corporation tax	1,405	1,708
Foreign income taxes	136	10
Adjustments for prior years	(400)	35
	1,141	1,753
Deferred tax:		
Origination and reversal of temporary differences - current year	88	(99)
Origination and reversal of temporary differences - prior years	(11)	(7)
Deferred tax rate change adjustment	(26)	-
	51	(106)
Tax expense	1,192	1,647

Of the deferred tax expense in 2020 and the deferred tax credit in 2019, £51k and £(106)k, respectively, relate to the origination and reversal of temporary differences.

SIEMENS INDUSTRY SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

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 operations)	7,690	7,741
Tax at 19% (2019: 19%)	1,462	1,471
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	66	122
Research and development tax credit	1	7
Over provided in prior years - deferred tax	(11)	(7)
(Over) / under provided in prior years - current tax	(400)	34
Irrecoverable foreign tax	111	8
Deferred tax rate change adjustment	(26)	-
Rate change adjustment difference between Corporation Tax and Deferred Tax rate	(11)	12
Total income tax expense for the year	1,192	1,647

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.

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
Deferred tax assets:		
Property, plant and equipment	244	218
Pension plans and similar commitments	1	82
Deferred tax assets	245	300
Deferred tax liabilities:		
Other liabilities	-	-
Deferred tax liabilities	-	-
Total deferred tax assets, net	245	300

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.

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

	2020	2019
Deferred tax assets balance as at October 1	300	282
Income tax presented in the Statement of income	(51)	106
Additions from acquisitions not impacting net income (if any)	(5)	(87)
Other	1	(1)
Deferred tax assets balance as at September 30	245	300

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

11. Trade and other receivables

	2020	September 30, 2019
Trade receivables from the sale of goods and services	18,956	16,177
Receivables from group companies	29,829	42,421
	<u>48,785</u>	<u>58,598</u>

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 of beginning of fiscal year	208	222
Creation	14	(267)
Transfer in from group companies	-	253
Valuation allowance as of fiscal year-end	<u>222</u>	<u>208</u>

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	17,459	(66)	14,884	(42)
30 days overdue	846	-	692	-
31 - 60 days overdue	492	-	567	-
61 - 90 days overdue	185	(42)	29	(29)
91+ days overdue	196	(114)	219	(137)
	<u>19,178</u>	<u>(222)</u>	<u>16,385</u>	<u>(208)</u>

12. Contract assets and liabilities

As of 30 September 2020, and 2019, amounts expected to be settled after twelve months are £nil and £3.2m for contract assets and £51k and £121k, respectively, for contract liabilities. Significant changes in contract assets from business combinations are £20k and £66k and in contract liabilities £66k and £1,500k in fiscal 2020 and 2019, respectively. In fiscal 2020 and 2019, contract assets (presented net of allowances of £34k and £15k as of 30 September 2020 and 2019), decreased due to impairments with income statement impacts of £19k and £13k, respectively. In fiscal 2020 and 2019, £nil and £nil are included in revenue, relating to performance obligations satisfied in previous periods. In fiscal 2020 and 2019, revenue includes £9.8m and £10.3m, respectively, which was included in contract liabilities at the beginning of the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

13. Inventories

	2020	September 30, 2019
Raw materials and supplies	1	-
Costs of unbilled contracts	106	201
Finished goods and products held for resale	89	159
	<u>196</u>	<u>360</u>

14. Other current assets

	2020	September 30, 2019
Prepaid expenses	989	1,297
	<u>989</u>	<u>1,297</u>

15. Goodwill

	2020	September 30, 2019
Cost		
Balance at beginning of year	8,170	1,620
Acquisitions through business combinations	6,134	6,550
Balance at end of year	<u>14,304</u>	<u>8,170</u>
Accumulated impairment losses		
Balance at end of year	<u>-</u>	<u>-</u>
Net book value		
Balance at beginning of year	8,170	1,620
Balance at end of year	14,304	8,170

Impairment of Goodwill

The Company performed the mandatory annual impairment test for the year ended September 30, in accordance with the accounting policy stated in note 2. The recoverable amounts for the annual impairment test 2020 for the cash generating unit (CGU) were estimated to be higher than the carrying amounts. Key-assumptions on which management has based its determinations of the fair value less costs to sell for the business' carrying amount include terminal value growth rate of 1.5% and after-tax discount rate of 9%.

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

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

SIEMENS INDUSTRY SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

16. Other intangible assets

	Software	Total
Cost		
At October 1, 2019	184	184
At September 30, 2019	<u>184</u>	<u>184</u>
At October 1, 2020	<u>184</u>	<u>184</u>
At September 30, 2020	<u>184</u>	<u>184</u>
Amortisation		
At October 1, 2019	167	167
Charge for the year	17	17
At September 30, 2019	<u>184</u>	<u>184</u>
At October 1, 2020	<u>184</u>	<u>184</u>
At September 30, 2020	<u>184</u>	<u>184</u>
Net book value		
At October 1, 2019	17	17
At September 30, 2019 and October 1, 2020	-	-
At September 30, 2020	-	-

SIEMENS INDUSTRY SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

17. Property, plant and equipment

	Land & buildings	Furniture & office equipment	Total property, plant & equipment
Cost			
At October 1, 2018	54	3,504	3,558
Additions	-	745	745
Disposals	-	(74)	(74)
Transfers to / from group companies	-	197	197
	<hr/>	<hr/>	<hr/>
At September 30, 2019	54	4,372	4,426
	<hr/>	<hr/>	<hr/>
At October 1, 2019	54	4,372	4,426
IFRS 16 adjustments	5,186	-	5,186
	<hr/>	<hr/>	<hr/>
Adjusted balance as of October 1, 2019	5,240	4,372	9,612
Additions	-	325	325
Disposals	-	(143)	(143)
Transfers to /from group companies	2,016	43	2,059
	<hr/>	<hr/>	<hr/>
At September 30, 2020	7,256	4,597	11,853
	<hr/>	<hr/>	<hr/>
Accumulated depreciation and impairment			
At October 1, 2019	45	2,676	2,722
Charge for the year	2	481	483
Disposals	-	(70)	(70)
Transfers to /from group companies	-	255	255
	<hr/>	<hr/>	<hr/>
At September 30, 2019	47	3,342	3,389
	<hr/>	<hr/>	<hr/>
At October 1, 2019	47	3,342	3,389
Charge for the year	1,847	501	2,348
Disposals	-	(137)	(137)
Transfers to/from group companies	327	5	332
	<hr/>	<hr/>	<hr/>
At September 30, 2020	2,221	3,711	5,932
	<hr/>	<hr/>	<hr/>
Net book value			
At October 1, 2019	9	828	837
At September 30, 2019 and October 1, 2020	7	1,030	1,037
	<hr/>	<hr/>	<hr/>
At September 30, 2020	5,035	886	5,921

As of September 30, 2020, contractual commitments for the purchase of plant, property and equipment amount to £10k (2019: £14k).

SIEMENS INDUSTRY SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

18. Investments

	Shares in subsidiary undertakings
Cost	
At October 1, 2019	4,828
Additions	21,930
Disposals	(786)
At September 30, 2020	25,972
Provisions	
At October 1, 2019	-
Impairment	(4,042)
At September 30, 2020	(4,042)
Net book value	
At September 30, 2019	4,828
At September 30, 2020	21,930

On April 1, 2020, the Company acquired 100% of the issued share capital of Mentor Graphics UK Limited, an entity engaged in marketing and servicing of Electronic Design Automation ("EDA") systems for use in design, analysis, physical layout and testing of complex electronic products.

On October 1, 2019, the Company acquired 100% of the issued share capital of Mendix Technology Limited, an entity engaged in selling low-code application development platform.

Impairment has been provided for the investment in Lightworks Design Limited and Lightworks Software Limited as the entities were dissolved on 6 October 2020. The excess of historic investment cost over the recoverable amount has been recognised as impairment.

The Companies and partnerships set out below are the Subsidiaries as at September 30, 2020. Shareholdings are in voting equity capital of companies registered in England & Wales and the voting equity capital is wholly owned, except where otherwise stated.

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

19. Trade payables

	2020	September 30, 2019
Trade payables	1,836	2,430
Amounts due to group companies	6,391	2,190
	8,227	4,620

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

20. Other current liabilities

	2020	September 30, 2019
Payroll and social security taxes	3,807	3,855
Bonus obligations	933	826
Other employee related costs	1,135	1,042
Other tax liabilities	7,267	3,230
Other accrued liabilities	1,192	1,186
	14,334	10,139

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

Other tax liabilities include the VAT balances.

21. Post-employment benefits

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

Defined contribution plan

The Company participates in a defined contribution pension plan. The pension cost charge for the period represents contributions payable by the Company to the Scheme and amounted to £4,213k (2019: £3,737k).

22. Provisions

Provisions changed during 2020 as follows:

	Order related losses and risks	Other	Total
Balance at beginning of year	134	65	199
Additions	134	132	266
Usage	(134)	-	(134)
Reversals	(134)	(120)	(254)
Balance at end of year	-	77	77
Current provisions			77
Non-current provisions			-

23. Share capital

Allotted, called up and fully paid:

	2020	September 30, 2019
8,393,105 (2018: 8,393,105) Ordinary Shares of £1 each	8,393	8,393

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For the years ended September 30, 2020 and 2019 (in thousands of £)

24. Share-based payments

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. Total pre tax expense for share-based payment recognised in Siemens Industry Software Limited net income for continuing and discontinued operations amounted to £242k and £94k 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 4,470 (2019: 4,150) stock awards to 66 employees (2019: 56 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	5,422	52.84	1,272	69.99
Granted	4,470	69.98	4,150	59.46
Forfeited	(633)	21.09	-	-
Transferred/Vested	(312)	-	-	-
Merger	6,877	86.50	-	-
Non-vested, end of period	15,824	73.41	5,422	61.93
Weighted average remaining years	1.64		2.413	

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 €313k and €247k respectively.

Share-matching program and its underlying plan

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

Share - matching plan

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

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above. In the year ended September 30, 2020 Siemens AG granted 926 (2019: 1,025) shares to 110 (2019: 139) UK employees of Siemens Industry Software Limited.

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

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For the years ended September 30, 2020 and 2019 (in thousands of £)

	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	1,583	51.39	1,270	95.06
Granted	926	94.86	1,025	82.42
Forfeited	(126)	69.42	(64)	89.66
Transferred / Vested	(575)	-	(647)	92.11
Merger	31	82.43		
Non-vested, end of period	1,839	88.56	1,583	88.33
Weighted average remaining years	0.83		0.958	

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 €88k and €84k respectively.

25. Additional disclosures on financial instruments

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

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

	September 30,	
	2020	2019
Financial assets		
Loans and receivables	48,948	58,599
	<u>48,948</u>	<u>58,599</u>

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

	2020		September 30,	
	Fair value	Carrying value	Fair value	Carrying value
			2019	
Financial assets measured at cost or amortised cost				
Trade and other receivables	48,785	48,785	58,598	58,598
Other current financial assets	30	30	1	1
Other assets	133	133	-	-
	<u>48,948</u>	<u>48,948</u>	<u>58,599</u>	<u>58,599</u>
Financial liabilities measured at cost or amortised cost				
Trade payables	8,227	8,227	4,620	4,620
Current financial liabilities, including short term lease liability	2,968	2,968	446	446
Long term lease liabilities	3,099	3,099	-	-
	<u>14,294</u>	<u>14,294</u>	<u>5,067</u>	<u>5,067</u>

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

Fair value hierarchy

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

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

All of the Company's derivative financial instruments as at September 30, 2020 and 2019 are categorised as level 2.

Net losses of financial instruments are as follows:

	September 30,	
	2020	2019
Loans and receivables	(228)	(136)
Financial liabilities measured at amortised cost	(181)	(160)

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

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

Collateral

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

Financial risk management***Interest rate risk***

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

The approximate impact on the Statement of Income of a 1% fluctuation in interest rates would be £232k 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 are 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.

Market risk

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

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

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

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

Equity price risk

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

Foreign currency exchange rate risk*Transaction risk and currency management*

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

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

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

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

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

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\$	Euro	Other	Total
Gross Statement of Financial Position exposure	5,809	2,323	(429)	7,703
<i>Thereof: Financial asset</i>	5,933	5,474	417	11,824
<i>Thereof: Financial liabilities</i>	(124)	(3,151)	(847)	(4,121)
Foreign exchange transaction exposure	5,809	2,323	(429)	7,703
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	581	232	(43)	770
As at September 30, 2019	US\$	Euro	Other	Total
Gross Statement of Financial Position exposure	3,327	6,667	(2,305)	7,689
<i>Thereof: Financial asset</i>	3,985	6,767	236	10,988
<i>Thereof: Financial liabilities</i>	(658)	(100)	(2,541)	(3,299)
Gross exposure from firm commitments and anticipated transactions	-	-	-	-
Foreign exchange transaction exposure	3,327	6,667	(2,305)	7,689
Economically hedged exposure	-	-	-	-
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	333	667	(230)	769

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

SIEMENS INDUSTRY SOFTWARE LIMITED

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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.

	2020	2021	2022 to 2024	2025 and thereafter
Non derivative financial liabilities	9,196	-	-	-
Trade payables	8,227	-	-	-
Other financial liabilities	968	-	-	-

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 £6,391k (2019: £2,190k) 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 *Statement of Cash Flows*.

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

	2020	September 30, 2019
Receivables from group companies	23,221	24,895
Total liquidity	23,221	24,895
Liabilities under finance leases	3,690	-
Total debt	3,690	-
Net liquidity	19,531	24,895

In addition to the balances above, which are held with Siemens AG in the group cash pooling facility, receivables from Siemens group companies of £6,608k (2019: £17,527k), amounts due to Siemens group companies of £6,392k (2019: £2,190k) 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 2.0 (2019: 3.1). The Company also has access to Siemens AG cash pooling arrangement when necessary.

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26. Related party transactions

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

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

	Sales of goods		Rental income and other services sold		Purchases of goods		Rental expense and other services purchased		Interest income		Interest expense	
	Year ended 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
Other Siemens group companies	2,648	2,097	2,171	1,918	2,627	7,553	3,910	3,948	46	338	21	5

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

	Transfers of research and development	
	Year ended 2020	Year ended 2019
Other Siemens group companies	17,291	18,207

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

Year end balances arising from sales / purchases of goods and services amounted to £nil (2019: £nil).

(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
Other Siemens group companies	29,829	42,422	6,391	2,190

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

27. Remuneration of key management personnel

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

	Year ended September 30,	
	2020	2019
Short-term employee benefits	357	414
Post-employment benefits	43	37

28. Directors' transactions

No such transactions occurred in 2020 or 2019 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the directors (or other key management personnel).

29. Subsequent events

As of October 6, 2020, Lightworks Design Limited and Lightworks Software Limited have been dissolved. There were no other subsequent events to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019 (in thousands of £)

30. 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 Beteiligungen Europa GmbH, a company incorporated in Germany.