



SIEMENS ENERGY LIMITED
Annual report and financial statements
Registered number 00631825
September 30, 2021



SIEMENS ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

COMPANY INFORMATION

Directors

S Scrimshaw
M Gray
S Davina

Company secretary

P O'Brien

Registered number

00631825

Registered office

Faraday House
Sir William Siemens Square
Frimley, Camberley
Surrey
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United Kingdom

Independent auditor

Ernst & Young LLP
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SIEMENS ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

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SIEMENS ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

The directors of Siemens Energy Limited (the "Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2021. In these financial statements, the terms "Siemens Energy" and "Group" refer to Siemens Energy AG and its Group companies.

STRATEGIC REPORT

Principal activities

Siemens Energy Limited offers a wide range of products, systems, solutions, and services in the fields of power transmission, central and distributed power generation, as well as industrial applications for the oil and gas industry and for industrial process applications.

General business review

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The Company remains vigilant of warning signs exhibited in both the global economy and domestic 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 the ongoing consideration of the effects of Britain's recent exit ("Brexit") from the European Union ("EU") and the Brexit trade deal with regard to any short to medium term impact. Risks around these macro-economic factors have not had a material impact on the business and there is no impact on the figures presented as at September 30, 2021 and 2020.

The directors continue to consider ongoing 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 ongoing potential impact on its business to be manageable. The Company continuously updates its business practices with regard to local laws and regulations to ensure business continuity in all working environments. As a result, the Company has continued to operate throughout the crisis and trade appropriately. This view is underpinned by business continuity planning, risk management and an integrated internal control framework.

The directors are closely monitoring the evolving strategic and policy landscape in support of achieving net zero in the UK by 2050 and the outcomes from COP26. The business is involved in a wide range of activities to support its customers in their Energy Transition journey, and this is helping to shape our response to the market.

The Company has high volume projects and have multi-year customer orders, especially in the solutions and service businesses. While orders for large projects may lead to volatility in order intake from one reporting period to the next, revenue is generally less affected by such volatility. Large projects typically have longer development and construction phases, this coupled with often long-term service contracts leads to steady revenue recognition over several reporting periods. Hence, the Company's order backlog gives high level of visibility of future revenues.

The Company's profitability level differs substantially among the portfolio elements. Therefore, during any given period, the results of operations are affected by the portfolio mix sold in each segment. The service business typically has higher margins than the product and solutions businesses. The results of operations and margins therefore depend on the Company's ability to generate revenue from servicing the large installed fleet as it becomes subject to wear and tear. The Company aims to maintain and expand the long lifespan of the large installed fleet to secure orders for service contracts, primarily focusing on long-term service programs. Therefore, the Company sees service as a major pillar of Siemens Energy's sustainable business success, which the management seek to enlarge and leverage even more in the future.

Review of Statement of Income

The Statement of Income in the prior year only reports the results of the power generation and industrial applications for the second half of the year, as this business was acquired on April 1, 2020.

The Company performance in 2021 is in line with the revised expectations of the directors factoring in the impacts of the COVID-19 pandemic, and the directors believe the results for the year reflect a baseline trading performance of the Company in the current climate from which the Company can improve.

The Company made a net loss in the financial year, net of taxation of £15m (2020: net loss of £16m).

Review of Statement of Financial Position

The Company continued to be in the net assets position (£112m in the current year, compared to £120m in the prior year), however remained in the net current liabilities position (£29m) at the year end (2020: £41m). This is mainly due to increase in contract assets and reduction in contract liabilities related to some projects, which are expected to be realised in the next one to two years.

At the end of current financial year, the Company reported total assets of £546m (2020: £562m) and total liabilities of £434m (2020: £442m).

Total assets reduced by £16m, year on year, due to: cash reduction (£9m), lower trade balances receivable from customers and Group companies (£13m), less inventories (£28m reduction, mainly in finished goods), property, plant and equipment/intangible assets reduced (£10m) and decline in finance lease receivable balance (£10m, primarily due to repayments); offset by an increase in contract assets (£53m, related to some projects, expected to be realised in coming years) and income tax receivable (£1m).

Total liabilities reduced by £8m, year on year, due to: lower contract liabilities (£53m); reduction in lease liabilities (£4m, primarily due to repayments) and other financial liabilities balances (£5m); offset by an increase in trade and other payables (£35m), higher provisions (£13m, relating to warranties, order related losses and risks and other projects) and other liabilities (£8m, mainly related to payroll accruals and net vat payable).

Review – Statement of Cash Flows

Cash flows from operating activities show an outflow of (£21m) in the current year, compared to an inflow of £9m in the prior year. The primary driver for the outflow was mainly due to increased cash outflows from changes in working capital in the year. Cash inflows from investing activities of £7m is primarily due to cash received from the other Group companies in regard to finance lease repayments; offset by cash paid to acquire property, plant and equipment and intangible assets, during the year. Cash inflows from financing activities £5m is due to changes in intercompany financing activities; offset by lease liability repayments. Overall, the Company has a negative net cash outflow of (£9m), resulting in a nil cash balance at the year end.

Analysis of Financial Key Performance Indicators

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

New orders received

New orders received have increased from £266m for the year ended September 30, 2020 to £336m for the year ended September 30, 2021.

Total new order backlog as at the end of September 30, 2021 is £916m compared to £1,084m as at the end of September 30, 2020.

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, 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 products.

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 by the Board of directors of the Company ("Board"). The Board uses forums such as the Extended Board Meetings ("EBM") plus the Siemens Energy Management Meeting ("SEMM") cascades and other sessions to ensure they are well informed to make key decisions. All Board members participate in the EBM and SEMM cascades which have representation from all Business Units and Support functions. Given the size and nature of Siemens Energy in the UK, stakeholder engagement often takes place at both an operational and senior management level as well as by the Board, the mechanisms that are in place provide a good basis to ensure stakeholder feedback is considered in the operation of the Company.

Employees	
<i>Striving to be an employer of choice, Siemens Energy 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

All our employees including apprentices and graduates are supported in growing and developing in their roles by the availability of comprehensive training programmes to equip them for both current and future roles. In addition to technical training, all our employees have access to learning and development resources that are individual, transparent and self-driven.

Siemens Energy promotes an active understanding of “Engagement” as taking actions resulting in positive change and fuelling Human Energy. To create the best possible employee experience and a thriving environment, we actively involve our employees: Employees have recently participated in the ‘Siemens Energy Voices’ employee opinion survey, this is in addition to ‘Ask Me Anything’ sessions with the Managing Director of the Board.

The views of our employees are critical in helping us continually improve ourselves as an organisation, and regular employee engagement surveys (twice a year) enable us to both further understand our employees’ perspective and generate ideas which can benefit everyone.

The survey gives all employees worldwide, the opportunity to reflect and share their unique perspective on how they perceive our company, our culture, leadership, team collaboration and work environment. It addresses the topics like Drivers of Engagement, Human Energy, Employee Well-Being as well as Siemens Energy Behaviours & Values.

Employees can also make their views known through employee representative bodies, whether at a local, business or national level. These bodies provide a mechanism for ongoing dialogue between Company management and the employees’ representatives on all aspects of the Company’s operations. Furthermore, a confidential whistle-blowing hotline called ‘Tell Us’ enables employees to raise concerns about any aspect of Company practices or behaviour.

To drive Engagement and Human Energy, we expect and foster accountability on all levels. In addition to our corporate actions, our “Team up for Action” programme enables teams and their managers to realise positive change within their circle of influence: Employees focus on individual and team accountability for change while managers enable teams to create actions that will inspire engagement.

Inclusion and Diversity initiatives have focused on inclusive culture, LGBTQIA+ inclusion, racial and gender equality and equal opportunities for people with disabilities. Siemens Energy has sought to influence these topics externally through influencing and collaboration with customers and other Siemens Energy businesses through workshops, hosting webinars and on social media.

Siemens Energy is committed to building a welcoming, inclusive and diverse organisation. We understand diversity as a fact and inclusion as a choice: we want a diverse workforce that not only reflects today’s society, but also makes best use of it by real inclusion. This means, we respect and value each other, so that everyone can fully develop their potential.

We use “inclusion” to describe our commitment to being an open and inclusive Company, striving to create safe, welcoming workplaces with a culture that encourages equality and belonging. We listen respectfully to learn from others and leverage our differences to innovate for better solutions. An inclusive culture brings our purpose to life; it ignites our innovation potential, paves our way towards a sustainable future and helps us transform ourselves and our customers.

We use “diversity” to describe our commitment to recognising and respecting the differences between people whilst valuing the contribution everyone can make to our business. We do not tolerate discrimination or bias of any kind. At Siemens Energy, we want every person to bring their whole self to work and trust that their potential will be fulfilled.

We have three strategic drivers that form the basis of our plan for Inclusion and Diversity:

Equal Opportunity: We are committed to fair and transparent practises for the attraction, promotion, development and retention of diverse people with different skills, abilities and ideas. We will listen, learn and act to visibly demonstrate to all our employees that we are committed to multivariate diversity. 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.

Belonging: We make our mix work by creating an inclusive culture where people feel respected, engaged, able to speak up and be themselves.

Society and Partnerships: We work together, internally and externally, with customers and partners to support us in becoming more diverse and inclusive.

One effect of the COVID-19 pandemic has been to accelerate the flexibility of how our employees work. With Siemens Energy already committed to Employee Led Flexibility via its #bettertogether programme, in many cases employees can carry out their roles in a way which best fits their preferences and circumstances, reflecting the commitment of Siemens Energy to mobile working which includes working away from traditional workplaces, and instead working at home or other locations which suit both employees and the Company. This has become increasingly embedded as the 'New Normal' way of working for many of our employees.

Customers, Suppliers and Business Partners

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

Engagement

Key topics, decisions and outcomes influenced by this stakeholder group

Customers are always at the centre of our thinking with regard to technology, innovation and how to best consult and support them. Our main goal is to establish ourselves as the partner of choice for our customers by fostering close and trusted partnerships.

We engage with our customers to develop a portfolio of energy technology products, solutions and services in the delivery of their operational business requirements. We develop strong relationships with customers, suppliers and business partners to assist in their journey to a more sustainable environment and a carbon neutral target.

Liquidity of our suppliers is critical to ensure a sustainable supply chain and Board members support this through reviewing our payment performance; ensuring availability of electronic invoicing and engagement of senior management with suppliers who are showing signs of financial stress.

In the transmission sector Siemens Energy has long term relationships with all the major utilities and a selection of industrial customers and Special Purpose Vehicles (SPVs). We engage with our customers through a number of frameworks for product and systems, EPC construction contracts for major infrastructure projects in the offshore and interconnector sector and service contracts supporting the installed assets over its lifetime.

Siemens Energy has joined the Buy Social Corporate Challenge, an initiative aimed at embedding positive social and environmental impact into everyday business spend. The UK Government-backed Challenge sees a group of businesses committed to collectively spend £1 billion with social enterprise suppliers.

We have extended our supply chain finance solution in order to facilitate the sale of receivables under attractive conditions which optimises the suppliers cashflow and working capital including a reduction in administrative costs.

Siemens Energy is committed to increasing transparency of our carbon emissions through the supply chain and supporting suppliers to reduce their emissions.

Our electronic supplier integration programme (ESI+) continues to be rolled out to improve receipt and payment of invoices which makes the process even faster, more efficient and more transparent.

Siemens Energy continues to promote the real living wage with its suppliers to enhance people's lives which has been shown to improve supply chain performance.

In alignment with specific customers, Siemens Energy is actively working with suppliers to ensure all directly employed people and people employed within its sub-contractors are paid the real living wage.

Siemens Energy engages with 2000+ suppliers with 55% of these being third party and 45% being suppliers within the Siemens Energy Group.

Regular collaboration workshops are held which are attended by senior management from Siemens Energy and the supplier to discuss the wider aspects of the relationship.

Our suppliers add value to Siemens Energy and our stakeholders through product innovation, quality, availability and investment. We rely on our suppliers to provide a competitive and transparent supply chain, which we develop to ultimately generate affordable clean energy. Our aim is to create sustainable diversity and safety for our people and for the people in our supply chain.

All suppliers can access our supply chain management "About Us" communication page which encompasses collaboration, our supplier management portal and sustainability in the supply chain.

We have implemented correct purchasing guidelines for all our Business Units which ensures a standard global framework is in operation on how we engage and manage suppliers at Siemens Energy.

All suppliers are required to sign our Code of Conduct which clearly sets out the standards and principles when working with Siemens Energy, including on topics such as inclusion, diversity and sustainability. Suppliers must agree to follow the Code of Conduct and implement it within their own supply chains.

Our procurement teams are committed to developing business relationships formed by committed organisations to maximise joint performance for achievement of mutual objectives and creation of additional value. For strategic suppliers a member of the senior management team act as an owner of the relationship.

Communities and Environment

Siemens Energy is committed to our purpose 'we energise society' which is supported by our Sustainability approach. Social Impact is delivered through our Societal Engagement Programme and protection of the environment is supported by our Decarbonisation and Zero Harm Programmes.

Engagement	Key topics, decisions and outcomes influenced by this stakeholder group
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<p>Societal Engagement Programme</p> <p>In the UK, we follow the Siemens Energy global approach, for societal engagement, with a focus on regional activities.</p>	<p>Societal Engagement Programme outcomes for FY21</p> <p>Energy transformation</p>
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In the UK, we have established a Societal Engagement programme to deliver social value which is led by the Sustainability and supported by a network of local site and project ambassadors. Employees are encouraged to take two days per year to undertake volunteering to support the programme.

- National Energy Action (NEA) charity - 100 places funded on Decarbonising Homes training course for community workers, providing delegates with an understanding of low carbon and renewable technologies and how they can help people living in fuel poverty.

Societal Engagement is grouped into three key themes.

- Energy transformation
- Access to education
- Sustaining communities

Access to education

- Virtual work experience resources developed for engagement with schools
- Inclusion and Diversity in education panel and hackathon in partnership with Stemettes
- School engagement STEM activities supported; Primary Engineer competition, Virtual Rock Assembly with Talent Foundry

We are committed to following the United Nations Sustainable Development Goals which are a social value charter for the planet and the principles laid out within the Public Services (Social Value) Act 2012.

Sustaining communities:

We have engaged the services of a leading specialist consultancy in this area, Social Value Portal (SVP) to enable measurement of social value.

- MIND – fundraising to support the mental health charity and mental health campaigns

We use both non-financial and financial data as evidence of the impact of our activities on communities.

- Wildlife Trusts – volunteer workdays

- Fundraising for local charities (nominated by each Siemens Energy site)
- In FY21 a total of £37K was raised for Siemens Energy charities through fundraising activities.

We created £1M of social value delivered through volunteering, sponsorship and donations in kind.

Examples of social engagement on customer projects:

- Using a social enterprise for wood recycling, where the wood waste is re-used, creating jobs for local people
- Provision of water from a social enterprise company whose purpose is to invest profits into saving carbon emissions, championing a circular economy and ending water poverty
- Using services of a recycling supplier whose goal is to create social value each year that is equal to, or greater than, 10% of annual sales.

Decarbonisation Programme (UK)

The carbon footprint has been baselined in FY21 as the first full year operating as Siemens Energy. Progress in delivering targets will be reviewed against this baseline from FY22 onwards.

We will review annually to consider significant events and changes in circumstances such as site closures. Benefits of our business activities can provide both the rationale and the motivation for moving towards a net zero carbon society, as well as local benefits to the community.

Targets (Scope 1 & 2)

1. Reduction in absolute carbon emissions (CO₂e) by 5% year-on year
2. Annual energy performance targets for all Siemens Energy manufacturing sites and offices
3. Replace natural gas used for heating on manufacturing sites and offices by 2030
4. Reduction of carbon emissions from testing gas turbines by 5% year-on year (normalised against test demand)
5. Transition Siemens Energy vehicle fleet to be 100% low emission vehicles by 2025.

Targets (Scope 3)

1. Engage our supply chain to understand monitoring of scope 1, 2 and 3 emissions and develop improvement plans (3-year plan)

Zero Harm programme

Siemens Energy succeeds through its people. Fostering the health and safety culture and performance of Siemens Energy employees as well as safeguarding their working conditions are core to Siemens Energy social and business commitment.

Decarbonisation Programme (UK) outcomes

The Siemens Energy Decarbonisation programme will deliver outcomes around key targets through a series of workstreams reporting into a quarterly Decarbonisation Steering Committee. The programme has been communicated to internal and external stakeholders.

There are three-time frames for the programme to deliver transformational decarbonisation by 2030:

- Optimisation (2020-2023)
- Investment and Innovation (2023-2030)
- Transformation (2030 onwards)

Siemens Energy key manufacturing sites in Newcastle and Lincoln are certified to ISO 5001:2018 for energy management.

Carbon Footprint for FY21 to be verified by the Carbon Trust in November 2021.

Sustainable Procurement activities

In a pilot project, Siemens Energy has engaged key suppliers to gain visibility of Scope 1, 2 & 3 CO₂ emissions. This data will form our reporting base and an engagement plan developed to target specific areas / suppliers with the highest carbon emissions.

- Decarbonising the Supply Chain
- Sustainable Procurement Framework using ISO 20400
- SME/MSME Reporting
- Social Enterprise

The Company commits to supporting the physical and mental wellbeing of all employees, engaging with Occupational Health providers and various wellbeing partners to achieve this. Across the Company, Wellbeing Champions and Mental Health First Aiders are part of a strategic approach to wellbeing which aims to equip our managers and employees with the tools to cope with the stresses and strains of life and make healthy lifestyle decisions. All employees have access to an Employee Assistance Programme (including counselling where required), fortnightly virtual (due to Covid) Yoga sessions as well as various training courses on topics such as: Building Resilience, Mental Health Awareness, Mindfulness and Body Mechanics. In addition, line managers have access to a mental health awareness training course.

Siemens Energy has a Zero Harm philosophy based on 4 principles:

- It is achievable
- We do not compromise
- We take care of each other
- We develop locally and share globally

A suicide awareness and prevention webinar was run in FY21 available to all employees, with structured support available following on from the issues raised.

A monthly wellbeing newsletter and wellbeing awareness updates are regularly sent to employees of Siemens Energy.

In addition to creating local zero harm programs for Environment, Health and Safety, a country specific set zero Harm plan of commitments was rolled out designed to improve the Health and Safety performance and culture of the business.

A global program has been rolled out in FY21 (October 2020 – September 2021) building on our existing strong Zero Harm culture, while putting ownership for developing and implementing Zero Harm with each local manager. The approach is bottom up, not top down, which is done to ensure that every employee is engaged in developing the program and understands the risks associated with their work environment.

We focus on minimising the environmental impact of our project and civils work, promoting circularity and reducing embedded carbon. For example, the Sanford project will reuse of 11,500m3 of topsoil and 3,544 m3 of subsoil in the project landscaping works to avoid this material becoming waste and being taken for disposal off site. The reuse on site of this material will achieve an approximate reduction of 725 tCO2.

Environmental Protection
Siemens Energy global Zero Harm programme supports both the safety of our employees (as described in Employees Section above) and protection of the environment.

Wood recycled from Rothie project site (circa 12.14 tonnes) was used for community projects, to make log stores or chipped and turned into fibre board for the construction industry. Plywood is used to make wildlife boxes.

There are four core principles underpinned by behaviours and building blocks for local programmes.

We support environmental and community improvements at our project site locations. For example, the Viking Link project are supporting the transformation an area of disused/overgrown land behind Donnington Graveyard into a wellbeing area for the community.

The specific focus for protection of the environment are:

- We will act to reduce the environmental impacts of our work activities and protect resources.
- We will never ignore any opportunities to minimize energy usage and waste generations.

Siemens Energy have supported Computer Aid for the personal old IT equipment recycling with 3,500 devices recycled and provided to communities in need.

The building blocks to support Zero Harm for the environment are:

- Decarbonisation,
- Product Stewardship
- Conservation of Resources.

All our businesses comply with the requirements of ISO 14001:2015 for Environmental Management and ISO 50001:2018 for Energy Management.

Government, Regulators and Trade Associations Regulators and Trade Associations	
<i>Continuous dialogue with policy-makers is extremely important for the success of a global company like Siemens Energy.</i>	
Engagement	Key topics, decisions and outcomes influenced by this stakeholder group

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

Siemens Energy engages with policymakers at all levels in the UK Government, devolved nations and on a cross party basis.

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

Active topics this year include decarbonisation, exports and inward investment.

Members of our leadership team regularly meet with key contacts within the Department for Business, Energy and Industrial Strategy ("BEIS"), Number 10 energy policy team and the Department for International Trade, to discuss and understand the UK Government's approach to reaching net zero and how energy policy will deliver this. Members of the EBM are also involved in joint Government-Industry working groups on developing hydrogen policy in the UK, including the UK Hydrogen Advisory Council and the hydrogen taskforce within the Strategic Markets Initiative. We responded to formal consultations on subjects including export finance – ending support for fossil fuel projects, and decarbonisation readiness. consultations on subjects including export finance – ending support for fossil fuel projects, and decarbonisation readiness.

There has been further political engagement with MPs and local political stakeholders in relation to construction projects and site footprints. has been further political engagement with MPs and local political stakeholders in relation to construction projects and site footprints.

Engagement with Make UK has included employment policy implications of COVID-19 such as the furlough scheme and the Skills Survey post COVID-19. Siemens Energy participates in several Energy UK committees covering public affairs and policy development covering a range of topics. In addition, we have received information through our membership on the discussions Energy UK is having with BEIS and the Department of Health and Social Care relating to COVID-19.

Following the spin-off from Siemens AG in September 2020, a number of initiatives have been undertaken to ensure that Siemens Energy continues to be fully compliant with all applicable laws and regulations. Siemens Energy is currently rolling out its own set of policies and procedures to ensure that all employees, associates and contractors understand the zero-tolerance stance of Siemens Energy in relation to tax evasion. In addition, Siemens Energy has published a UK tax strategy, available on its website, outlining its approach to taxation in the UK and its intention to be fully compliant and transparent in its interactions with HMRC.

Siemens Energy AG Group Companies

The Siemens Energy Group is building our new Company for long term value creation through focusing on the energy market transformation and stronger profitability with a simplified and leaner Company structure.

Engagement

Key topics, decisions and outcomes influenced by this stakeholder group

The Company has a twin track approach, delivering improved bottom line performance through its PG2020, GP2020+ and Accelerating Impact programmes while creating long-term value through its Energy of Tomorrow programme with a focus on:

Globally, Siemens Energy launched a cost optimisation and competitiveness programme called Accelerating Impact. The programme had an impact in the UK & Ireland, where significant restructuring in the Industrial Applications and Generation business units was required. Siemens Energy remains committed to the UK & Ireland and Accelerating Impact will enable future sustainable investment to continue.

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- The supply side (low or zero emission power generation), Siemens Energy is committed to Inclusion and Diversity because we believe a welcoming, diverse and inclusive business culture is the foundation for innovation, better decision making and consequently improved profitability. As we master the energy transition, our business outcomes will be greatly enhanced through the rich multivariate diversity that we will foster in the Company.

- The distribution side (transport of and energy storage) and

- The demand side (reducing CO2 emissions through electrification)

The energy transition to net zero affects every part of Siemens Energy's market and our future depends on being leaders of the transition, regarded by all stakeholders as a trusted and capable partner. The transition is happening in different ways and timing in each country, so it is vital that Siemens Energy UK shows clear and consistent understanding of our local market and is seen to be a thought leader in key areas here.

All the above is underpinned by an Environmental, Sustainability and Governance ("ESG") programme.

In areas of rapid growth such as hydrogen or grid stability taking an early lead sets the pattern for the whole industry. We aim to emulate our success with offshore wind in the last decade where leading technology solutions coupled with recognised thought leadership helped secure our dominant position in the industry.

The strategic decisions of the Siemens Energy AG Group influence the decisions taken by the Board which, in turn, adapts the Group strategy for the UK specific market considering UK customer, employee and other stakeholder needs.

The Board and EBM members are in regular contact with customers and employees plus other key stakeholders and Industry bodies to provide valuable input and to influence the Board decision making processes.

The directors have a strong relationship with the EBM team which is made up of all UK Business Units and Support Function Heads. This key stakeholder group regularly discuss the local Company strategy for implementation and adoption in their businesses or functions and regularly receive communications from the Siemens Energy AG Group Board to help inform progress and direction relating to the global strategy.

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 (guidelines under Companies Act 2006 and Pension Schemes Act 2021), local funding requirements and investments as well as the needs of our global Siemens Energy Group.

The Board continues to maximise efficiencies by operating a lean board structure, and by investing in digital tools, to promote better and faster decision making.

Approved by the board of directors on December 16, 2021 and signed on its behalf by



S Scrimshaw

Director

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DIRECTORS' REPORT

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

S Scrimshaw

M Gray

S Davina

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

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

DIVIDENDS

The directors have not recommended a dividend (2020: £nil).

RESEARCH AND DEVELOPMENT

During the financial year, the Company spent £nil (2020: £nil) on research and development.

FINANCIAL INSTRUMENTS

The Company's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 28 to the financial statements.

GOING CONCERN

The directors continue to monitor the ongoing impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business. The current trading is in line with the updated forecasts taking into account the ongoing COVID-19 pandemic.

As part of the sensitivity analysis, management prepared a worst-case scenario forecast to estimate the impact on the results and cash forecast for the period 2022-2023, including order intake and revenue assumptions. This forecast considers the ongoing contracts which are part of the critical infrastructure and are not impacted by COVID-19 circumstances. Although the COVID-19 impact on results are unlikely to be recovered in the 2022 financial year, we do not anticipate the pandemic to have a lasting effect on the financial results beyond the year ending September 30, 2022. No government support schemes are considered as part of this scenario. This worst-case forecast shows an expected shortfall in the cash flow at the end of 12 months period. The Group has confirmed that it will continue to support the Company to allow it to satisfy its financial obligations in the normal course of business for at least 12 months (until December 31, 2022) from signing of these financial statements. This funding is limited to a maximum amount sufficient to cover the forecasted cash shortfall in the worst-case situation. The directors are satisfied that based on the latest Group financial statements, it has sufficient resources and the ability to provide this support, should it be required.

For 2021, given the continued parental support and confirmation as explained above 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")

Position Statement

The UK Decarbonisation programme sets targets for reduction in energy use and carbon emissions from operations (Scope 1 & 2) emissions to meet Siemens Energy global target of Climate Neutral by 2030. The UK programme and targets are reviewed annually and updated every three years.

Targets (Scope 1 & 2)

- Reduction in absolute carbon emissions (CO₂e) by 5% year-on year
- Annual energy performance targets for all manufacturing sites and offices
- Replace natural gas used for heating on manufacturing sites and offices by 2030
- Reduction of carbon emissions from gas used for turbine tests by 5% year-on year (normalised against test demand)
- Company car vehicle fleet to be 100% low emission vehicles by 2025

Targets (Scope 3)

- Engage with our supply chain to understand how they monitor their scope 1, 2 and 3 emissions and develop improvement plans (3-year plan)

The business operates an Energy Management System compliant with the requirements of International Standard ISO 50001:2018 and is committed to continual energy performance improvement.

Comparisons with previous year figures for energy use and GHG emissions

For the previous year reporting, energy and carbon data (for sites and facilities acquired under power generation and industrial applications business) was only reported for the second half of the financial year 2020. This is due to the carve-in of Gas and Power business from a Siemens AG Group company, Siemens plc on April 1, 2020, representing the portion of the financial year that the business operated as Siemens Energy Limited. The existing transmission and distribution business data was reported for the full year.

FY21 Intensity Measure: 5.92 tCO₂e/£million*

FY20 Intensity Measure: 5.94 tCO₂e/£million

	FY20		FY21*	
	kWh	tCO ₂ e	kWh	tCO ₂ e
Gas	3,834,880	705	6,224,012	1144
Purchased Electricity**	3,078,717	867	7,687,847	1964
Transport (owned fleet)	1,711,036	512	727,505	62
Fuel (Petrol)	Not reported	Not reported	7,322	2
Fuel (Gas Oil)	Not reported	Not reported	14,802,381	5

*For FY21 - energy from construction project sites (Electricity, Fuel and Gas) added to the report.

** Using Location based electricity factors

Energy Performance Improvements in FY21Construction Sites

There has been an increase in the proportion of energy efficient (EPC B Rated or equivalent) temporary cabins used on construction sites from FY20. Energy efficient features include LED Lighting, PIR sensors, double glazed windows, use of push taps, aerators, low volume flush toilets and waterless urinals.

The energy consumption at construction sites is monitored digitally. The data is used to accurately report energy consumption data and establish targets for improvement.

The Viking Link HVDC project has used a hydrogen fuel cell for off-grid power which has been recognised by CEEQUAL as an industry first. The CEEQUAL Framework is an evidence-based sustainability rating scheme used to drive energy and carbon reduction. The quantification and forecasting of carbon emissions at planning and procurement stages allows the project to calculate the potential carbon savings.

SIEMENS ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

The Triton Knoll project site has repurposed of 12,060 tonnes of redundant stone. This equates to a total of 75% recycled aggregate, reducing carbon emissions by avoiding the use of virgin material and eliminating lorry journeys for delivery.

The Sandford Substation project has used B-rated equivalent cabins, solar powered tower lighting, a solar powered portaloo and established a Grid connection (electricity) for welfare within first six months of construction. This has reduced reliance on diesel generators.

The business is committed to using energy efficient plant for all construction project sites.

Buildings (Office and Factories)

Heaton Works, Newcastle

- Electricity reduction and savings from lighting project in factory.
- BMS used for heating optimisation and setpoints reduced.
- Energy data analysis completed during FY20-21 and compressed air identified as 25% of energy consumption. Investigation being undertaken in Q1 FY22 to identify opportunities for reduction of compressed air.

SubSea, Ulverston

- As a result of Life Cycle Assessment of the Digitron product, the business is focused on reducing high energy consumption of machinery used in the mould shop for manufacturing components
- Two gas water boilers have been replaced
- LED lighting has been installed in workshops

Business Travel

The business has installed Electric Vehicle charge points installed at all UK sites.

The use of remote support headsets has allowed remote technical support to be provided from Germany into the UK without the need for travel.

A new control operations centre at Newcastle allows remote monitoring of DNO and windfarm assets. This increased number of remote access contracts have reduced the need for travel and onsite attendance for support.

Methodologies used in calculation of disclosures

Alignment with Financial Reporting

SECR Disclosure has been prepared in line with the Company's annual accounts made up to September 30, 2021.

Reporting method

GHG emissions reported in accordance with GHG Protocol Corporate Accounting and Reporting Standard.

STATEMENT OF ENGAGEMENT WITH EMPLOYEES

The directors continue to encourage employee participation within the Company. The Company utilises a number of initiatives to engage with employees and more information can be found in the s.172 statement on pages 2 to 9.

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

Business relationships with the customers, suppliers, and other business partners are fundamental to Siemens Energy. The Group maintains business relationships only with reputable partners who comply with the law. The directors are required to promote the success of the Company as a whole and, in doing so, have regard to a range of stakeholders. Further information can be found in the s.172 statement on pages 2 to 9, where the Company has set out how it has engaged with its key stakeholders, including customers, suppliers and others in a business relationship with the Company, and how the Board has considered their interests during the year.

SIEMENS ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

GROUP POLICIES

Environmental

Siemens Energy is committed to our purpose 'we energise society' which is supported by our Sustainability approach. Social Impact is delivered through our Corporate Society Responsibility ("CSR") strategy and protection of the environment is supported by our Decarbonisation and Zero Harm Programmes. In November 2020, the Group decided that it will no longer participate in new tenders for new purely coal-fired power generation projects, however, it will still meet existing commitments for coal-fired power plant projects, including binding offers, and it will also continue its CO2-reducing service and solutions business, e.g. combined heat and power ("CHP") projects. The Group is now further analysing with the requisite care what specific consequences this step will have for its employees and sites that are concerned. Siemens Energy will now discuss with its partners in the field of coal-fired power plant technology about the consequences of the decision for the partnerships.

Equal opportunities

The Company is committed to equal opportunities for all, free from discrimination and harassment. Siemens Energy 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 Energy, 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.

Inclusion and Diversity initiatives have focused on inclusive culture, LGBTQIA+ inclusion, racial and gender equality, and equal opportunities for people with disabilities. Siemens Energy has sought to influence these topics externally through influencing and collaboration with customers, suppliers and other Siemens Energy businesses through workshops, hosting webinars and on social media.

SUBSEQUENT EVENTS

There were no other significant events after the reporting period.

POLITICAL DONATIONS

No political donations were made during the current or preceding financial year.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

Approved by the board of directors on December 16, 2021, and signed on its behalf by



S Scrimshaw

Director

Registered office:

Faraday House
Sir William Siemens Square
Frimley
Camberley
Surrey
GU16 8QD

SIEMENS ENERGY LIMITED

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

YEAR ENDED SEPTEMBER 30, 2021

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws in the United Kingdom and those UK-adopted international accounting standards ('IAS').

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 IASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- ▶ state that the Company has complied with IASs, 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 ENERGY LIMITED

YEAR ENDED SEPTEMBER 30, 2021

Opinion

We have audited the financial statements of Siemens Energy Limited for the year ended 30 September 2021 which comprise the Statement of Income, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Equity and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 31 December 2022.

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

Other information

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

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS ENERGY LIMITED

YEAR ENDED SEPTEMBER 30, 2021

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS ENERGY LIMITED

YEAR ENDED SEPTEMBER 30, 2021

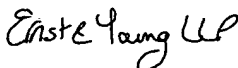
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those relating to the financial reporting framework (UK adopted international accounting standards and Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the UK. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety and General Data Protection Regulation (GDPR).
- We understood how the Company is complying with those frameworks by making inquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborate this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities when applicable.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We made inquiries with management across various parts of the business and those charged with governance in relation to fraud or suspected fraud identified if any. Such inquiries include regular meetings with the Company's compliance and legal teams throughout our audit. We also tested manual journals on areas involving significant estimation and judgment, which were identified through our data analytics techniques based on criteria tailored to identify journals most susceptible to fraud. We also tested sample revenue transactions backing to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of management and those charged with governance, reading board meetings and journal entry testing as set out above. We also considered results of our substantive procedures on other areas of the audit that may indicate a non-compliance with such laws and regulations.

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.

DocuSigned by:



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Kate Jarman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

December 21, 2021

SIEMENS ENERGY LIMITED**STATEMENT OF INCOME**

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

	Note	2021	2020
Revenue	4	535,461	443,198
Cost of sales		(502,577)	(427,464)
Gross profit		32,884	15,734
Marketing and distribution expenses		(20,877)	(16,815)
Administrative expenses		(12,392)	(9,764)
Other operating expenses		(7,965)	(6,293)
Operating loss	5	(8,350)	(17,138)
Interest income	8	695	413
Interest expenses	8	(1,556)	(629)
Interest (expenses) / income from pension plans and similar commitments, net	8	(10)	1,464
Loss before income taxes		(9,221)	(15,890)
Income tax expense	9	(5,827)	-
Loss, net of income taxes		(15,048)	(15,890)
Net loss for the financial year		(15,048)	(15,890)

SIEMENS ENERGY LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED SEPTEMBER 30,2021 (in thousands of £)

	Note	2021	2020
Net loss for the financial year		(15,048)	(15,890)
<hr/>			
Items that will not be reclassified to profit or loss			
Remeasurement gains on defined benefit plans	22	21	1,050
Deferred tax credit on remeasurement gains	9	7,255	2,202
Total items that will not be reclassified to profit or loss		7,276	3,252
<hr/>			
Items that may be reclassified subsequently to profit or loss			
(Losses) / gains on derivative financial instruments	28	(300)	1,553
Deferred tax charge on (losses) / gains on derivative financial instruments	9	(77)	(159)
Total items that may be reclassified subsequently to profit or loss		(377)	1,394
<hr/>			
Other comprehensive income, net of income taxes		6,899	4,646
<hr/>			
Total comprehensive loss		(8,149)	(11,244)
<hr/>			
Attributable to: Owners of the Company		(8,149)	(11,244)
<hr/>			

SIEMENS ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

	Note	2021	2020
ASSETS			
Cash and cash equivalents		-	9,148
Trade and other receivables	10	42,987	55,706
Other current financial assets	11	7,037	6,356
Contract assets	4	139,165	86,068
Inventories	12	16,952	45,124
Current income tax assets		7,692	6,689
Other current assets	13	1,279	1,492
Total current assets		215,112	210,583
Goodwill	14	261,479	261,479
Other intangible assets	15	9,532	12,277
Property, plant and equipment	16	34,654	42,189
Other financial assets - non-current	11	25,450	35,605
Total non-current assets		331,115	351,550
Total assets		546,227	562,133
LIABILITIES AND EQUITY			
Current lease liabilities	21	5,096	6,667
Trade and other payables	18	73,561	38,112
Other current financial liabilities	17	2,434	6,888
Contract liabilities	4	75,934	128,888
Current provisions	23	29,013	20,132
Other current liabilities	19	58,127	50,505
Total current liabilities		244,165	251,192
Lease liabilities - non-current	21	24,908	27,666
Long-term debt	20	150,000	150,000
Post-employment benefits	22	314	624
Provisions - non-current	23	12,330	8,709
Other non-current liabilities	24	1,507	1,922
Derivative financial liabilities		2	139
Deferred tax liabilities	9	918	1,649
Total non-current liabilities		189,979	190,709
Total liabilities		434,144	441,901

SIEMENS ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

	Note	2021	2020
Equity			
Share capital	25	167,500	167,500
Cash flow hedging reserve		(340)	37
Retained earnings		(55,077)	(47,305)
Total equity		<u>112,083</u>	<u>120,232</u>
Total liabilities and equity		<u>546,227</u>	<u>562,133</u>

These financial statements were approved and authorised for issue by the board of directors on December 16, 2021 and were signed on their behalf by:



.....
M Gray
Director

Registered number: 00631825
Siemens Energy Limited

SIEMENS ENERGY LIMITED
STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

	Note	2021	2020
Cash flows from operating activities			
Net loss for the financial year		(15,048)	(15,890)
Adjustments to reconcile net loss to cash flows from operating activities			
Depreciation and amortisation	5, 15, 16	14,012	5,892
Income tax expenses	9	5,827	-
Interest expenses, net	8	861	215
Defined benefit pension charge / (income) in Statement of Income	22	31	(37)
Lease expenses		2,368	5,080
Losses on disposal of intangible assets and property, plant and equipment; net		88	167
Impairment of property, plant and equipment	5, 16	184	-
Other non-cash expenses		63	1,553
		<hr/>	<hr/>
Operating profit / (loss) before changes in working capital and provisions		8,386	(3,020)
Changes in assets and liabilities			
Inventories		28,172	(24,026)
Contract assets		(53,097)	(18,538)
Trade and other receivables		7,839	19,799
Other current assets		(186)	6,329
Trade payables and accrued expenses		29,308	4,919
Contract liabilities		(52,954)	31,092
Current provisions		8,881	938
Other current liabilities		1,009	(4,961)
Long-term assets		(75)	22
Long-term liabilities		3,208	1,172
		<hr/>	<hr/>
Cash (used in) / generated from operations		(19,509)	13,726
		<hr/>	<hr/>
Income taxes paid		(1,145)	(3,520)
Interest paid	8	(861)	(141)
Defined benefit pension contributions paid	22	(320)	(1,525)
		<hr/>	<hr/>
Cash flows from operating activities – continuing operations		(21,835)	8,540
		<hr/>	<hr/>
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	15,16	(2,527)	(3,225)
Purchase of trade and assets of other entities	3	-	(313,490)
Cash received from finance lease repayments		9,489	2,936
Disposal of intangibles and property, plant and equipment	15,16	375	-
		<hr/>	<hr/>
Cash flows from investing activities – continuing operations		7,337	(313,779)
		<hr/>	<hr/>
Cash flows from financing activities			
Change in financing from other Group companies	10, 18	13,049	119,330
Repayment of lease liabilities		(7,699)	(4,443)
Proceeds from issuance of long-term debt	20	-	150,000
Proceeds from issuance of shares	25	-	49,500
		<hr/>	<hr/>
Cash flows from financing activities – continuing operations		5,350	314,387
		<hr/>	<hr/>
Change in cash and cash equivalents		(9,148)	9,148
Cash and cash equivalents at the beginning of the year		9,148	-
Cash and cash equivalents at the end of the year		-	9,148
		<hr/>	<hr/>

SIEMENS ENERGY LIMITED

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

Siemens Energy AG operates a cash pooling facility across its worldwide Group. Cash balances generated by entities are passed to Siemens Energy 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 Energy 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.

SIEMENS ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

	Share capital	Cash flow hedging reserve	Retained earnings	Total equity
Brought forward October 1, 2019	118,000	(1,357)	(34,667)	81,976
Net loss for the financial year	-	-	(15,890)	(15,890)
Other comprehensive income, net of income taxes	-	1,394	3,252	4,646
Issue of additional share capital	49,500	-	-	49,500
Balance at September 30, 2020	<u>167,500</u>	<u>37</u>	<u>(47,305)</u>	<u>120,232</u>
Brought forward October 1, 2020	<u>167,500</u>	<u>37</u>	<u>(47,305)</u>	<u>120,232</u>
Net loss for the financial year	-	-	(15,048)	(15,048)
Other comprehensive (loss)/income, net of income taxes	-	(377)	7,276	6,899
Balance at September 30, 2021	<u>167,500</u>	<u>(340)</u>	<u>(55,077)</u>	<u>112,083</u>

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging transactions related to hedged transactions that have not yet occurred.

Other comprehensive income

Other comprehensive income is allocated to retained earnings with the exception of other comprehensive loss of £377k (2020: other comprehensive income of £1,394k) which relates to gains/(losses) on derivative financial instruments. This is allocated to the cash flow hedging reserve.

1. Basis of presentation

The accompanying financial statements present the operations of Siemens Energy Limited (the "Company") and have been prepared and approved by the directors in accordance with the UK-adopted international accounting standards ("IAS") and applied in accordance with the Companies Act 2006. The financial statements were authorised for issue by the Board of Directors on December 16, 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 offers a wide range of products, systems, solutions, and services in the fields of power transmission, central and distributed power generation, as well as industrial applications for the oil and gas industry and for industrial process applications.

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

The directors continue to monitor the ongoing impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business. The current trading is in line with the updated forecasts taking into account the ongoing COVID-19 pandemic.

As part of the sensitivity analysis, management prepared a worst case scenario forecast to estimate the impact on the results and cash forecast for the period 2021-2022, including order intake and revenue assumptions. This forecast considers the ongoing contracts which are part of the critical infrastructure and are not impacted by COVID-19 circumstances. Although the COVID-19 impact on results is unlikely to be recovered in the 2022 financial year, we do not anticipate the pandemic to have a lasting effect on the financial results beyond the year ending September 30, 2022. No government support schemes are considered as part of this scenario. This worst case forecast shows an expected shortfall in the cash flow at the end of 12 months period. The Group has confirmed that it will continue to support the Company to allow it to satisfy its financial obligations in the normal course of business for at least 12 months (until December 31, 2022) from signing of these financial statements. This funding is limited to a maximum amount sufficient to cover the forecasted cash shortfall in the worst-case situation. The directors are satisfied that based on the latest Group financial statements, it has sufficient resources and the ability to provide this support, should it be required.

For 2021, given the continued parental support and confirmation as explained above 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

Key accounting estimates and judgments — The accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the results of operations, financial positions, and cash flows of the Company. Critical accounting estimates could also involve estimates where the Company reasonably could have used a different estimate in the current accounting period. Further details are included in the goodwill and income taxes accounting policies below.

Business combinations — Business combinations (other than those from Siemens Energy Group companies) are accounted for under the acquisition method. The Company 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, the Company 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 the Company 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 Energy 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.

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 Company's customer's creditworthiness. Revenue is the transaction price the Company expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the Company. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognised for each performance obligation either at a point in time or over time.

Sales from construction type contracts: Revenues are recognised over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognised as an expense immediately. Payment terms are usually 60 days from the date of invoice issued according to the contractual terms.

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

Revenues from services: Revenues are recognised over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided, i.e. under the percentage-of-completion method as described above. Payment terms are usually 60 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 60 days.

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

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

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

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

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

Costs for development activities are capitalised when the recognition criteria in IAS 38, Intangible Assets 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.

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

The goodwill impairment test is performed at the level of a cash-generating unit represented by a Division or equivalent, which is the lowest level at which goodwill is monitored for internal management purposes

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit 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 or the group of cash-generating units is recognised. The recoverable amount is the higher of the cash-generating unit's or the group of cash-generating units' 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 14 for further information.

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

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. Any land and construction in progress are not depreciated. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Leasehold improvements	2 to 15 years
Technical machinery & equipment	generally 10 years
Furniture & office equipment	generally 5 years
Equipment leased to others	generally 3 to 7 years

Right-of-use assets — Right-of-use assets are depreciated under the straight-line method over the shorter of the lease term and the useful life of the underlying assets. See lease accounting policy for further details.

Impairment of property, plant and equipment and other intangible assets — The Company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets with indefinite useful lives as well as intangible assets not yet available for use are subject to an annual impairment test. Impairment testing of property, plant and equipment and other intangible assets involves the use of estimates in determining the assets' recoverable amount which can have a material impact on the respective values and ultimately the amount of any impairment.

Income taxes — The Company 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 taxpayers 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. If management considers it probable that all or a portion of a deferred tax asset cannot be realised, a corresponding valuation allowance is taken into account.

NOTES TO THE FINANCIAL STATEMENTS

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Inventories — Inventories are valued at the lower of acquisition or production costs and net realisable value, cost being generally determined on the basis of an average or first-in, first-out method. Net realisable value corresponds to the estimated selling price net of remaining costs of completion and selling. Determining net realisable value of inventories involves accounting estimates of quantity, technical and price risks.

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

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

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

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

For further explanation of the movement in provisions in the year see note 23.

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

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 Energy Group. Any balances within this facility are classified as *Receivables from Group companies* and *Amounts due to Group companies*.

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 28.

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. 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 10. Valuation allowances are not recognised when the gross carrying amount is sufficiently collateralised. Probabilities of default are mainly derived from internal rating grades. A simplified approach is used to assess expected credit losses from trade receivables and contract assets by applying their lifetime expected credit losses.

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.

A financial asset is derecognised when the rights to cash flows expire or the financial asset is transferred to another party. Significant modifications of contractual terms of a financial asset measured at amortised cost result in derecognition and recognition of a new financial asset; for insignificant modifications, the carrying amount of the financial asset is adjusted without derecognition.

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

Lease liabilities – Lease liabilities are measured at the present value of the lease payments payable over the lease term, generally discounted using the incremental borrowing rate, unless the rate implicit in the lease can be readily determined. Lease liabilities are subsequently measured at amortised cost using the effective interest method. They are remeasured in case of modifications or reassessments of the lease.

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

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

Leases — The Company leases properties and motor vehicles and the Company sub leases property to other Siemens Energy Group companies. Under IFRS 16, a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

Initial recognition

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

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

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

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Subsequent measurement of the right-of-use asset

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

Subsequent measurement of the lease liability

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

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

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Lessor

The Company leases mainly land and buildings. Rental contracts are typically made for fixed periods and lease terms are negotiated on an individual basis and contain a wide range of different terms.

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

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

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

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

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

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

Pension costs and other post-retirement benefits

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

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

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

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

Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rates of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available discount rates are based on government bonds yields. Due to changing market, economic and social conditions the underlying key assumptions may differ from actual developments. For a discussion of the current funded status see note 22.

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 payments — Until the end of the previous financial year, the Company participated in equity-settled and cash-settled share-based payment plans established by Siemens AG. Fair value was measured at grant date, updated each quarter, and expensed over the vesting period. Fair value was determined as the market price of Siemens AG share, considering dividends during the vesting period to which the grantees are not entitled to, as well as conditions and non-vesting conditions, if applicable.

After Spin-off from Siemens AG, from the current financial year, the Company started to participate in Siemens Energy AG share plans. Share-based payment awards at Siemens Energy are predominantly designed as equity-settled. Fair value is measured at grant date and expensed over the vesting period. Fair value is determined as the market price of the underlying shares, considering dividends during the vesting period to which the grantees are not entitled as well as market conditions and non-vesting conditions, if applicable.

Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. At Siemens Energy Group level, these share-based payment plans are predominantly designed and accounted for as plans with settlement in shares. 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 Company's employees are eligible for share based payment awards under the Group share plans disclosed in note 27. Any expected payments to be made to the Siemens Energy 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

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

New and amended standards effective for the year ended September 30, 2021:

Definition of a Business - Amendments to IFRS 3

The IASB issued amendments, effective for annual periods beginning on or after January 1, 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 is effective from October 1, 2020, however the Company is not 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 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 is effective from October 1, 2020, however the Company is not materially impacted 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). This is effective from October 1, 2020, however, the Company is not impacted 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 from October 1, 2020.

New standards and interpretations not yet adopted:

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

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

These amendments will be effective for annual reporting period beginning on or after January 1, 2022 (October 1, 2022).

SIEMENS ENERGY LIMITED

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3. Acquisitions

There were no acquisitions in the current year.

In the prior year, the Company acquired trade and assets of the following Energy businesses from other Siemens AG Group companies in the UK and Ireland.

Name of company acquired from	Date of acquisition	Division
Siemens plc	April 1, 2020	Gas and Power (Energy)
Siemens Limited (Ireland)	April 1, 2020	Gas and Power (Energy)

The acquired businesses (electricity generation and distribution) will bring the Energy business together, thereby creating a new multi-technology global energy powerhouse from September 2020.

The following classes of assets and liabilities were acquired from the Siemens AG Group companies as of April 1, 2020:

	Siemens plc	Siemens Limited
Assets		
Trade and other receivables	47,946	90
Other current financial assets	2,617	-
Other current assets	241	-
Inventories	10,264	-
Contract assets	49,554	-
Property, plant and equipment	55,827	-
Other intangible assets	13,364	-
Other assets	110	-
	<hr/>	<hr/>
Total assets	179,923	90
Liabilities		
Trade payables	26,607	-
Other current financial liabilities	2,970	-
Current provisions	5,144	-
Other current liabilities	9,312	-
Deferred tax liabilities	62	-
Contract Liabilities	66,828	-
Other liabilities	11,775	-
Provisions	2,623	-
Other financial liabilities	269	-
Long term debt	516	-
	<hr/>	<hr/>
Total liabilities	126,106	-
	<hr/>	<hr/>
Net assets acquired	53,817	90
Goodwill on acquisition	259,532	51
	<hr/>	<hr/>
Purchase consideration	313,349	141
	<hr/>	<hr/>

The above assets and liabilities are valued at fair value (based on book values where appropriate) at the time of acquisition.

Fair value of consideration for the trade and assets acquired were settled via cash.

The results of the acquired operations, in the year of acquisition, since the date of acquisition (April 1, 2020 to September 30, 2020) are as follows:

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

Year ended September 30, 2020

Revenue	108,783
Operating Loss	(22,164)

The results of the combined operations, as if the above acquisition had been made at the beginning of the period in the year of acquisition are as follows:

Year ended September 30, 2020

Revenue	235,139
Operating Loss	(29,008)

The Company incurred no acquisition related costs relating to external legal fees and due diligence costs.

4. Revenue

Revenue is earned from the business category of Gas and Power.

Timing of revenue recognition

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

	2021		2020	
	Within one year	More than one year	Within one year	More than one year
Gas and Power	373,481	542,332	448,323	147,621

Contract balances

	September 30,	
	2021	2020
Trade receivables	42,742	50,581
Contract assets	139,165	86,068
Contract liabilities	(75,934)	(128,888)

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Also refer to note 10.

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

Information based on geography of customers for the Company is as follows:

	September 30, 2021	September 30, 2020
U.K.	466,176	416,654
Europe	46,677	15,866
Rest of world	22,608	10,678
	<u>535,461</u>	<u>443,198</u>

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

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

	Year ended September 30,	
	2021	2020
Net foreign exchange (gains) / losses	(369)	835
Depreciation of property, plant and equipment (see note 16)	11,246	4,511
Amortisation of intangible assets (see note 15)	2,766	1,381
Lease expenses	2,368	5,080
Staff costs (see note 6)	110,311	74,581
Grants received	(135)	(871)
Auditor's remuneration:		
- audit of financial statements	340	354

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

Lease expenses are related to a reduction in the finance lease receivable balance (note 11) due to the changes in the discount rates in the current year.

Grants received are related to the funding from Coronavirus Job Retention Scheme (furlough refunds) and the SFA (Skills Funding Agency) with regard to training and educational purposes in the current and prior year, respectively.

Operating leases

The Company has earned an operating lease rental income on the properties of £684k (2020: £777k) in the year.

Operating lease rentals receivable maturity analysis

	September 30, 2021
Operating lease receivable due within	
One year	740
Two to five years	1,284
Six years and above	900

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

6. Staff numbers and costs

	Year ended September 30,	
	2021	2020
Wages and salaries	92,176	62,170
Social security costs	9,940	5,880
Expenses relating to pension plans and employee benefits	8,195	6,531
	<u>110,311</u>	<u>74,581</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.

As part of the acquisition of GP business from another Siemens AG Group undertaking (Siemens plc), on April 1, 2020, about 1,000 employees were transferred to the Company.

The average number of employees (including executive directors) during 2021 and 2020 was 1,414 and 927, respectively (based on continuing operations). Part-time employees are included on a proportionate basis rather than being counted as full units. The employees were engaged in the following activities:

	September 30,	
	2021	2020
	Number	Number
Operations	1,096	740
Sales and marketing	162	124
Administrative	156	63
	<u>1,414</u>	<u>927</u>

7. Directors' emoluments

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

	September 30,	
	2021	2020
Emoluments receivable	1,342	1,059
Employer contributions to money purchase schemes	4	8
Compensation for loss of office	-	1
	<u>1,346</u>	<u>1,068</u>

The directors of the Company are also directors of fellow Siemens Energy Group companies in the UK. Two of the directors are remunerated by the Company and one by a Group company abroad. The directors do not believe it is practicable to apportion their qualifying services between their services as directors of the Company and their services as directors or employees of fellow Group companies.

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £616k (2020: £401k). One director is a member of the defined contributions scheme. None of the directors are a member of a defined benefit scheme. Share-based payments are described in note 2. Three (2020: two) of the directors have qualifying services shares receivable from a long-term incentive scheme.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

8. Interest income and interest expense

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

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

	Year ended September 30,	
	2021	2020
Interest income*	748	443
Interest income - negative income on financial assets	(53)	(30)
Interest income, net	695	413
Interest expense*	(1,556)	(629)
Interest expense, net	(1,556)	(629)
Interest income from pension plans and similar commitments	-	1,473
Interest expense from pension plans and similar commitments	(10)	(9)
Interest (expense) / income from pension plans and similar commitments	(10)	1,464
Thereof: Interest expense of operations, net	(62)	(32)
Thereof: Other interest income, net	(799)	(183)

*Above interest numbers include the below lease interest income and expense:

Interest income on finance lease receivables - £748k (2020: £153k)

Interest expense on lease liabilities - £647k (2020: £152k)

Since October 1, 2015 the Group (Siemens AG until Spin-off) 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 income, net* includes all other interest amounts primarily consisting of interest relating to corporate debt and related hedging activities, as well as interest income on corporate assets.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

9. Taxes

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

	Year ended September 30,	
	2021	2020
Current tax:		
UK corporation tax	(1,205)	(3,158)
Foreign income taxes	22	-
Adjustments for prior years	1,287	-
	<u>104</u>	<u>(3,158)</u>
Deferred tax:		
Origination and reversal of temporary differences - current year	(179)	558
Origination and reversal of temporary differences - prior years	(1,591)	(1)
Deferred tax rate change adjustment	7,493	2,601
	<u>5,723</u>	<u>3,158</u>
Tax expense	<u>5,827</u>	<u>-</u>

Of the deferred tax expense £5,723k and £3,158k in 2021 and 2020 respectively, relate to the origination and reversal of temporary differences.

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

	Year ended September 30,	
	2021	2020
Net loss before tax	(9,221)	(15,890)
Tax at 19% (2020: 19%)	(1,752)	(3,019)
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	372	484
Over provided in prior years - deferred tax	(1,591)	(1)
Under provided in prior years - current tax	1,287	-
Irrecoverable foreign tax and others	18	-
Deferred tax rate change adjustment	7,493	2,601
Rate change adjustment difference between corporation tax and deferred tax rate	-	(65)
Total income tax expense for the year	<u>5,827</u>	<u>-</u>

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

The Finance Act 2021 included an increase in the corporate tax rate to 25% (effective from 1 April 2023). This superseded the proposed reduction in the corporation tax rate to 17% (which was due to come into effect from April 2020). UK deferred tax assets and liabilities have been measured at the enacted tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

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

	September 30,	
	2021	2020
Deferred tax assets:		
Property, plant and equipment	797	281
Pension plans and similar commitments	671	118
Liabilities	-	297
Deferred tax assets	<u>1,468</u>	<u>696</u>
Deferred tax liabilities:		
Other intangible assets	(2,329)	(2,287)
Other	(57)	(58)
Deferred tax liabilities	<u>(2,386)</u>	<u>(2,345)</u>
Deferred tax liabilities - net	<u>(918)</u>	<u>(1,649)</u>

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.

Management considers it probable that the future operations will generate sufficient taxable income to realise the deferred tax assets.

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

	September 30,	
	2021	2020
Deferred tax liabilities balance as at beginning of year	(1,649)	(569)
Income tax presented in the Statement of Income	(5,722)	(3,157)
Changes in items of the Statement of Comprehensive Income*	7,178	2,043
Others	(725)	34
Deferred tax liabilities balance as at end of year	<u>(918)</u>	<u>(1,649)</u>

* Changes in items of the Statement of Comprehensive Income is split as: deferred tax charge on current year remeasurement gains movement of (£5k) (2020: charge of £200k), deferred tax credit on tax rate changes of £7,260k (2020: credit of £2,402k) and deferred tax charge on (losses)/gains on derivative financial instruments (£77k) (2020: charge of £159k).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

10. Trade and other receivables

	September 30,	
	2021	2020
Trade receivables from the sale of goods and services	42,742	50,581
Receivables from Group companies	245	5,125
	<u>42,987</u>	<u>55,706</u>

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

	Year ended September 30,	
	2021	2020
Valuation allowance as of beginning of the year	2,252	85
Creation	6,025	1,349
Reversal	(7,916)	(72)
Transfer in from Group companies	-	890
Valuation allowance as of end of the year	<u>361</u>	<u>2,252</u>

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

	September 30,		September 30,	
	2021		2020	
	Gross	Allowance	Gross	Allowance
Current	34,171	(20)	46,122	(27)
30 days overdue	4,630	(4)	2,217	(7)
31 - 60 days overdue	1,429	(34)	2,840	(897)
61 - 90 days overdue	1,032	(1)	(1,096)	(17)
91+ days overdue	1,841	(302)	2,750	(1,304)
	<u>43,103</u>	<u>(361)</u>	<u>52,833</u>	<u>(2,252)</u>

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

11. Other financial assets

	2021	September 30, 2020
Current		
Derivative financial assets	3,530	2,440
Finance lease receivable*	2,761	3,569
Other current financial assets	746	347
	<u>7,037</u>	<u>6,356</u>
Non-current		
Finance lease receivable*	25,375	35,605
Other financial assets	75	-
	<u>25,450</u>	<u>35,605</u>

Maturity analysis – contractual undiscounted cash flows*

	September 30, 2021
Finance lease receivable due within	
One year	3,343
Two to five years	11,519
Six years and above	21,666

*Finance lease receivable balances above relates to land and buildings, being leased to other Group companies in the UK.

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

12. Inventories

	September 30,	
	2021	2020
Raw materials and supplies	529	555
Work in progress	3,651	2,333
Costs and earnings in excess of billings on uncompleted contracts	10,578	16,291
Finished goods and products held for resale	1,130	25,445
Advances to suppliers	1,064	500
	<u>16,952</u>	<u>45,124</u>

Cost of sales include inventories recognised as an expense amounting to £502,577k and £427,464k, respectively, in fiscal year 2021 and 2020.

13. Other current assets

	September 30,	
	2021	2020
Prepaid expenses	968	1,375
Other	311	117
	<u>1,279</u>	<u>1,492</u>

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

14. Goodwill

	2021	September 30, 2020
Cost		
Balance at beginning of year	269,204	9,621
Acquisitions through business combinations (note 3)	-	259,583
Balance at end of year	<u>269,204</u>	<u>269,204</u>
Accumulated impairment losses		
Balance at beginning of year	(7,725)	(7,725)
Balance at end of year	<u>(7,725)</u>	<u>(7,725)</u>
Net book value		
Balance at beginning of year	<u>261,479</u>	<u>1,896</u>
Balance at end of year	<u>261,479</u>	<u>261,479</u>

Goodwill balance at the end of year relates to acquisition of the power transmission and distribution ('PTD') business in 2006 and electricity generation and distribution (Gas and Power) businesses in 2020.

In 2020, the Company acquired £259,532k and £51k goodwill through carve in of the Energy (Gas and Power) businesses (see note 3 for further details). There was no movement in the goodwill balance in the current financial year.

The Company performs the mandatory annual impairment test in the three months ended September 30, in accordance with the accounting policy stated in note 2. The recoverable amounts for the annual impairment test in 2021 and 2020 for the Company's divisions or equivalents 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 divisions' (or equivalent) carrying amount include terminal value growth rates up to 1.6% in 2021 and 1.6% in 2020, respectively and after-tax discount rates of 8.5% in 2021 and 8.5% in 2020. Where possible, reference to market prices is made.

For the purpose of estimating the fair value less costs to sell of the divisions or equivalents, cash flows were projected for the next five years based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions.

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

Sensitivity to change in assumptions

The recoverable amount of the cash-generating unit is higher than the carrying amount as at September 30, 2021. The terminal value growth rate used in estimating the recoverable amount for the Company was 1.6%. A reduction in the terminal value growth rate by 0.5% would not result in an impairment in the carrying value of goodwill.

The after-tax discount rates used in estimating the recoverable amount for the Company was 8.5%. An increase in the after-tax discount rate of 1.0% would not result in an impairment in the carrying value of goodwill.

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

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

15. Other intangible assets

	Software and other intangible assets
Cost	
At October 1, 2019	82
Additions	289
Transfers from Group companies	34,192
At September 30, 2020	<u>34,563</u>
At October 1, 2020	<u>34,563</u>
Additions	23
Retirements	(37)
At September 30, 2021	<u>34,549</u>
Amortisation	
Accumulated at October 1, 2019	78
Charge for the year	1,381
Transfers from Group companies	20,827
At September 30, 2020	<u>22,286</u>
At October 1, 2020	<u>22,286</u>
Charge for the year	2,766
Retirements	(35)
At September 30, 2021	<u>25,017</u>
Net book value	
At October 1, 2019	<u>4</u>
At September 30, 2020 and October 1, 2020	<u>12,277</u>
At September 30, 2021	<u>9,532</u>

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

In the prior year, the Company acquired other intangible assets of £13,364k (net book value - note 3) as part of the GP business (net assets) transfer from another Siemens AG Group company – Siemens plc. The majority of the balance relates to customer relationships acquired.

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

16. Property, plant and equipment

	Land & buildings	Technical machinery & equipment	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Cost					
At October 1, 2019	720	225	2,862	-	3,807
Additions	16,575	521	3,124	128	20,348
Disposals	(720)	(555)	(754)	(238)	(2,267)
Transfers from Group companies	22,216	39,371	6,013	1,010	68,610
Reclassifications of assets	-	52	123	(175)	-
At September 30, 2020	38,791	39,614	11,368	725	90,498
At October 1, 2020	38,791	39,614	11,368	725	90,498
Additions	799	1,415	5,752	367	8,333
Disposals	(1,275)	(865)	(4,261)	-	(6,401)
Reclassification of asset	36	558	202	(796)	-
At September 30, 2021	38,351	40,722	13,061	296	92,430
Accumulated depreciation and impairment					
At October 1, 2019	30	225	1,583	-	1,838
Charge for the year	1,935	1,195	1,381	-	4,511
Disposals	(179)	(410)	(751)	-	(1,340)
Transfers from Group companies	12,121	26,462	4,717	-	43,300
At September 30, 2020	13,907	27,472	6,930	-	48,309
At October 1, 2020	13,907	27,472	6,930	-	48,309
Charge for the year	3,291	5,719	2,236	-	11,246
Disposals	(124)	(802)	(1,037)	-	(1,963)
Impairment	80	-	104	-	184
At September 30, 2021	17,154	32,389	8,233	-	57,776
Net book value					
At October 1, 2019	690	-	1,279	-	1,969
At September 30, 2020	24,884	12,142	4,438	725	42,189
At September 30, 2021	21,197	8,333	4,828	296	34,654

As of September 30, 2021, contractual commitments for the purchase of property, plant and equipment amount to £853k (2020: £823k).

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

In the prior year, the Company acquired property, plant and equipment of £55,827k (net book value - note 3), as part of the GP business (net assets) transfer from another Siemens AG Group company – Siemens plc. The Company has then sub-leased some of its property, plant and equipment to the other Energy Group companies, resulting in the net amount of £25,311k, shown above as transferred from other Group companies.

Included in the above Property, plant and equipment are the below right-of-use assets. Additional information on right of use assets by class of assets is as below:

Right of Use assets	Land & buildings	Fleet	Total
Cost			
At October 1, 2019	689	1,090	1,779
Additions	16,239	1,171	17,410
Additions due to lease reassessment/modifications	187	141	328
Disposals due to lease reassessment/modifications	(689)	(119)	(808)
Transfers from Group companies	3,221	1,645	4,866
At September 30, 2020	19,647	3,928	23,575
At October 1, 2020	19,647	3,928	23,575
Additions	-	4,983	4,983
Additions due to lease reassessment/modifications	748	98	846
Disposals due to lease reassessment/modifications	(1,175)	(2,935)	(4,110)
At September 30, 2021	19,220	6,074	25,294
Accumulated depreciation			
Charge for the year	1,696	1,057	2,753
Disposals due to lease reassessment/modifications	(149)	(33)	(182)
Transfers from Group companies	116	326	442
At September 30, 2020	1,663	1,350	3,013
At October 1, 2020	1,663	1,350	3,013
Charge for the year	2,835	1,572	4,407
Disposals due to lease reassessment/modifications	(25)	(108)	(133)
Impairments	80	-	80
At September 30, 2021	4,553	2,814	7,367
Net book value			
At October 1, 2019	689	1,090	1,779
At September 30, 2020 and October 1, 2020	17,984	2,578	20,562
At September 30, 2021	14,667	3,260	17,927

The above additions/disposals due to lease reassessment/modifications are related to a combination of change in the lease term upon a triggering event and change in the future lease payments resulting from a change in discount rates.

17. Other current financial liabilities

	September 30,	
	2021	2020
Derivative financial liabilities	2,060	1,929
Other financial liabilities	374	4,959
	2,434	6,888

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

18. Trade and other payables

	September 30,	
	2021	2020
Trade payables	63,737	36,457
Amounts due to Group companies	9,824	1,655
	<u>73,561</u>	<u>38,112</u>

19. Other current liabilities

	September 30,	
	2021	2020
Payroll and social security taxes	4,171	1,620
Bonus obligations	13,711	8,962
Other employee related costs	2,972	4,347
Other tax liabilities	4,682	1,639
Other accrued liabilities	32,591	33,937
	<u>58,127</u>	<u>50,505</u>

Other employee related costs primarily include vacation payments, accrued overtime and service anniversary awards. The major balances of other accrued liabilities are related to the costs of third-party workers as well as costs specific for the key projects.

20. Long-term debt

	September 30,	
	2021	2020
Long-term debt from Group company	<u>150,000</u>	<u>150,000</u>

The old debt was repaid on September 24, 2021. There were no termination charges for the early settlement of the loan.

A new loan is undertaken on September 24, 2021, from a fellow Group company - Siemens Energy Global GmbH & Co. KG, at a fixed interest rate of 1.28% per annum, with the interest and capital repayable on the maturity date of September 25, 2023.

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

21. Lease liabilities

	September 30,	
	2021	2020
Lease liabilities less than 1 year	5,096	6,667
Lease liabilities more than 1 year	24,908	27,666

Lease liabilities relate to right of use assets of property plant and equipment (land and buildings and fleet) under IFRS16. Some land and buildings (right of use assets and owned) have been leased further to other Group companies, resulting in a de-recognition of property plant and equipment in the Company, replaced with a lease receivable balance (see note 11 other financial assets).

Maturity analysis – contractual undiscounted cash flows

Lease liability due within	September 30, 2021
One year	6,100
Two to five years	16,292
Six years and above	10,883

22. Post-employment benefits

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

Defined benefit plans**a) Siemens Benefits Scheme**

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

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

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

Movement in the Company's share of the net amount recognised:

	September 30, 2020
Company's share of the net amount recognised of the Scheme at beginning of year	8,753
Current service cost	(36)
Other finance income	89
Contributions paid	36
Transfer from other Group companies	(11,134)
Remeasurements included in Statement of Comprehensive Income	2,292
Company's share of the net amount recognised of the Scheme at end of year	-

In the prior year, the Company transferred its share in the scheme to a Siemens AG Group company - Siemens plc.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

b) VA Tech UK Pension Scheme

The VA Tech UK Pension Scheme ('Scheme') is a defined benefit scheme with assets held in separate trustee administered funds. The amount of contributions to be paid is decided jointly by the employer and the trustees of the Scheme. Assets held in trust are governed by UK regulations and practice. The Scheme's investment strategy is decided by the trustees, in consultation with the employer. The board of trustees must be composed of representatives of the employer and Scheme participants in accordance with the Scheme's legal documentation.

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

Movement in net amount recognised:

	September 30,	
	2021	2020
Net amount recognised of the Scheme at beginning of year	(624)	(944)
Past service cost	(21)	-
Other finance cost	(10)	(16)
Acquisition	-	89
Contributions paid	320	1,489
Remeasurements included in Statement of Comprehensive Income	21	(1,242)
Net amount recognised of the Scheme at end of year	(314)	(624)

In the prior year, remaining share of the pension scheme was transferred from another Siemens AG Group company - Siemens plc.

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

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2021. The Scheme's assets are stated at their market values at September 30, 2021.

In 2021, the Scheme covers 1,448 participants, including 141 active employees, 483 former employees with vested benefits and 824 retirees and surviving dependents.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at September 30, 2021. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

The Scheme is closed to new entrants.

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

Reconciliation of funded status to Statement of Financial Position:

	2021	September 30, 2020
Fair value of Scheme assets	198,140	211,159
Present value of funded defined benefit obligations	(196,772)	(210,200)
	<u>1,368</u>	<u>959</u>
Effects due to asset ceiling write off	(1,682)	(1,583)
	<u>(314)</u>	<u>(624)</u>
Deficit recognised in the Statement of Financial Position		

Defined benefit costs are as follows:

	2021	September 30, 2020
Past service costs	21	-
Interest expense	3,430	3,567
Interest income	(3,446)	(3,554)
Interest on IFRIC 14 additional liability	26	3
	<u>31</u>	<u>16</u>
Components of defined benefit costs recognised in the Statement of Income		
Return on Scheme assets (excluding amounts included in net interest expense and net interest income)	3,799	(17,857)
Remeasurement gains and losses	(3,892)	17,634
Change in additional liability **	72	1,464
	<u>(21)</u>	<u>1,211</u>
Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income		
Defined benefit pension scheme costs	<u>10</u>	<u>1,257</u>

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

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

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

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

	2021	September 30, 2020
Defined benefit obligation at beginning of year	210,200	157,683
Past service costs	20	-
Interest expense	3,429	3,566
Remeasurements:		
Remeasurement losses from changes in demographic assumptions	1,920	787
Remeasurement (gains) / losses from changes in financial assumptions	(3,830)	17,190
Experience gains	(1,982)	(343)
Scheme participants' contributions	-	808
Benefits paid	(12,985)	(13,492)
Business combinations, disposals and other	-	44,001
Defined benefit obligation at end of year	<u>196,772</u>	<u>210,200</u>

The total DBO at the end of the year 2021 includes £34,062k for active employees (2020: £36,362k), £58,738k for former employees with vested benefits (2020: £63,033k) and £103,972k for retirees and surviving dependents (2020: £110,805k).

The weighted average duration of the DBO was 18.7 years (2020: 18.9 years).

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

	2021	September 30, 2020
Fair value of Scheme assets at beginning of year	211,159	156,854
Interest income	3,445	3,553
Return on Scheme assets (excluding amounts included in interest income and interest expense)	(3,799)	17,857
Employer contributions	320	1,489
Scheme participants' contributions	-	808
Benefits paid	(12,985)	(13,492)
Business combinations, disposals and other	-	44,090
Fair value of Scheme assets at end of year	<u>198,140</u>	<u>211,159</u>

Change in irrecoverable surplus (Change in effect of asset ceiling)

	2021	September 30, 2020
Irrecoverable surplus at beginning of year	(1,583)	(117)
Interest cost on irrecoverable surplus	(26)	(3)
Change in irrecoverable surplus in excess of interest	(72)	(1,463)
Other	(1)	-
Irrecoverable surplus at end of year (Effects due to asset ceiling write off)	<u>(1,682)</u>	<u>(1,583)</u>
Additional liability due to IFRIC 14 at beginning of year	(624)	(155)
Effect of foreign currency exchange rate changes	-	39
Additional liability due to IFRIC 14	320	(505)
Interest on IFRIC 14 additional liability	(10)	(3)
Additional liability due to IFRIC 14 at end of year **	<u>(314)</u>	<u>(624)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

Actuarial assumptions:

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

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

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

Main financial assumptions:

	September 30,	
	2021	2020
	% p.a.	% p.a.
Inflation (RPI)	3.20	2.80
Inflation (CPI)	2.50	2.10
Rate of general long-term increase in salaries	3.00	2.60
Rate of increase to pensions in payment		
-inflation capped at 5% (RPI)	3.10	2.70
-inflation capped at 3% (RPI)	2.50	2.30
-inflation capped at 5% (CPI)	2.50	2.10
-inflation with a floor of 3% and a cap of 5% (RPI)	3.10	3.50
Discount rate for Scheme liabilities	1.99	1.66

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS tables scaled by a factor of 1.03 (2020: 1.03) for males and 1.09 (2020: 1.09) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2020 (2020: CMI2019) projections with a long term rate of improvement of 1.25% (2020: 0.01%) p.a. The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

Sensitivity analysis:

A one-half-percentage-point change of the established assumptions mentioned before, used for the calculation of the DBO as of September 30, 2021, would result in the following increase (decrease) of the DBO:

	Effect on DBO as of September 30, 2021 due to	
	One-half % Increase	One-half % Decrease
Discount rate	(17,555)	18,955
Rate of compensation increase	322	(310)
Rate of pension progression	9,592	(11,403)

In order to determine the longevity risk, the mortality rates were reduced by 1% for all beneficiaries. The impact on the DBO amounts to £7k (2020: £7k) as of September 30, 2021. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male employee aged 55 years as of September 30, 2021, increases by 0.9 years.

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

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

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

Disaggregation of Scheme assets:

The asset allocation of the Scheme is as follows:

Asset Class	September 30, 2021			September 30, 2020		
	Quoted market price in active market	No quoted market price in active market	Total	Quoted market price in active market	No quoted market price in active market	Total
Alternative investments:						
Other	-	192,040	192,040	-	205,521	205,521
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	192,040	192,040	-	205,521	205,521
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Cash and other assets	6,100	-	6,100	5,638	-	5,638
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	6,100	192,040	198,140	5,638	205,521	211,159
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

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

Future cash flows:

Employer contributions expected to be paid to the Scheme in 2022 are £320k and employer deficit funding contributions expected to be paid to the Scheme in 2022 are £nil.

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

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

The last completed full triennial valuation was as at April 5, 2018. The next full valuation, as at April 5 2021, is currently underway and due to be completed by July 5, 2022 at the latest.

Expected pension benefit payments:

	September 30,
2022	7,005
2023	7,155
2024	7,309
2025	7,466
2026	7,627
2027-2031	40,665

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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 £8,175k in 2021 (2020: £6,128k).

23. Provisions

Provisions changed during 2021 as follows:

	Warranties	Order related losses and risks	Asset retirement obligations	Onerous lease obligations	Other	Total
Balance at beginning of year	10,344	13,607	301	-	4,589	28,841
Additions	7,951	12,534	-	-	5,700	26,185
Usage	(2,814)	(7,853)	-	129	(42)	(10,580)
Reversals	(2,370)	388	-	-	(1,121)	(3,103)
Balance at end of year	13,111	18,676	301	129	9,126	41,343
Current provisions						29,013
Non-current provisions						12,330

Warranties

Warranties relate to products and services sold. See note 2 for further information concerning the Company's policy for estimating warranty provisions. The Company's provisions are generally expected to result in cash outflows during the next 1 to 5 years.

Order related losses and risks

Provisions for order related losses and risks are recognised for anticipated losses on uncompleted construction, sales and leasing contracts. The Company's provisions are generally expected to result in cash outflows during the next 1 to 5 years.

Other

Other provisions are recognised in relation to land and buildings, subcontractor claims and project retentions. The Company's provisions are generally expected to result in cash outflows during the next 1 to 5 years.

24. Other liabilities - non-current

	September 30,	
	2021	2020
Other accrued liabilities	1,507	1,922
	<u>1,507</u>	<u>1,922</u>

The balance above includes service anniversary awards of £1,208k, due after one year. Remaining balance of comprises of accruals relating to projects, due after one year.

25. Share capital

Allotted, called up and fully paid:

	September 30,	
	2021	2020
Balance at beginning of year (2019: 118,000k Ordinary Shares of £1 each)	167,500	118,000
Issuance during the year (2020: 49,500k Ordinary shares at £1 each)	-	(49,500)
Balance at end of year (2020: 167,500k Ordinary Shares of £1 each)	167,500	167,500

In 2020, the Company issued 49,500k Ordinary shares at £1 each to its immediate parent company.

26. Commitments and contingencies

Guarantees and other commitments

The Company has given guarantees or performance bonds in respect of contractual obligations totalling £26,611k (2020: £nil). These agreements have terms typically ranging between 1 and 10 years and the Company fully indemnifies each guarantee.

27. Share-based payments

Siemens Energy AG share plans

In the current financial year, Siemens Energy AG rolled out the below new share plans for its employees globally. Share-based payment awards may be settled in treasury shares of Siemens Energy AG or in cash. Share-based payment awards may be forfeited if the employment of the beneficiary terminates prior to the expiration of the vesting period. At Siemens Energy Group level, these share-based payment plans are predominantly designed and accounted for as plans with settlement in shares.

Total pre-tax expense for share-based payment recognised in the Company net income for continuing and discontinued operations amounted to £155k (2020: £nil) for the year and refers primarily to equity-settled awards.

(A) Stock Awards

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

Performance Oriented Stock Awards (PoSA)

The Stock Awards (equity settled) are granted once a year in November. They are subject to a four year vesting period, at the end of which Siemens Energy shares are being transferred. At the beginning of the vesting period, the target amount (in EUR) is converted into Stock Awards and multiplied at the end of the vesting period by the overall target achievement of the three KPIs. The target achievement for Total Shareholder Return (TSR), Earnings per Share (EPS) and development of Siemens Energy in terms of environmental, social and governance (ESG), can range from 0% to 200%. The overall target achievement is the weighted average of these three target achievement levels. If the overall target achievement is below 200%, a correspondingly reduced number of shares will be transferred.

Ratable Vesting Stock Awards

The Stock Awards (equity settled) are subject to a ratable vesting. They entitle recipients to receive Siemens Energy shares free of charge in rates of 25% of the initial grant each year over a period of four years. They are not tied to the achievement of any KPIs. The grant takes place once a year in November. There is also however a special recognition that enables a grant to take place in February.

Spin Off Incentive Program

The Spin Off Incentive Program was created to thank and reward Siemens Energy employees (including senior management), for their commitment and dedication to the successful listing of Siemens Energy and at the same time to motivate them to continue doing their best for the development of the Company in the future.

Employee Spin Off Incentive Program

Under the Employee Spin Off Incentive Program (equity settled), employees will receive a grant of Stock Awards worth 3% of their Total Target Cash (TTC), as of September 1, 2020. These Stock Awards entitle the employee to receive Siemens Energy shares at the end of the vesting period in September 2023 – for every Stock Award they receive one share of the Company (provided the plan rules are met). The number of shares transferred to the employee at the end of the vesting period is tied to the performance of the Siemens Energy share price during this time. The better the share price develops the more shares employees will get. In the best case, employees will receive shares with a value of 18% of their TTC as of September 1, 2020.

Spin Off Top 200

Managing Board members, the Siemens Energy Management (SEM) as well as other senior managers below the board are encouraged to continuously hold a defined percentage of their annual base salary in shares of Siemens Energy. The percentage is determined according to their level of responsibility within the Siemens Energy Group and ranges from 50% up to 300% for the CEO. The decision to participate is entirely voluntary and participants have 4.5 years to accumulate Siemens Energy shares and meet their individual Share Ownership target. Target value 50% - 100% of base salary, thereof 25% cash bonus with payment in 60 days after the Spin-off. 75% Incentive Stock Award if the target ownership amount is achieved.

Further details regarding the fair value of Stock Awards granted is disclosed in the Siemens Energy AG 2021 annual report.

SIEMENS ENERGY LIMITED

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YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

In the year ended September 30, 2021, Siemens Energy AG granted 271,546 stock awards to 1,314 Company employees. Details on stock award activity and weighted average grant date fair value are summarised in the table below:

Siemens Energy AG	Year ended September 30,	
	Awards	Weighted average grant date fair value (€)
	2021	2021
Granted	271,546	16.40
Cashed out	(285)	14.94
Forfeited	(8,775)	17.31
Non-vested, end of year	262,486	16.37
Weighted average vesting period in years	1.972	

Fair value was determined as the market price of Siemens Energy shares less the present value of dividends expected during the three to four and a half year vesting period. Total fair value of stock awards granted in 2021 amounted to €4,454k.

(B) Direct Match Program (equity settled)

The Direct Match Program (DMP) has been designed to offer its employees worldwide the possibility to easily become an owner of the Siemens Energy AG shares by investing in shares of Siemens Energy under the program, an employee may benefit from additional matching shares.

The maximum investment amount is 5% of the employees Total Target Cash (TTC). The chosen investment amount is withheld via two equal payroll deductions (50% in January and 50% in February after the offer period). Shares will be purchased on the 10th trading day in March at the Frankfurt Stock Exchange after the offer period. Together with the purchased shares, employees will directly receive additional matching shares in a ratio of 3:1. That means for every 3 shares purchased, employees will receive 1 additional matching share. As soon as all shares have been allocated to employee's online account, a 12-month blocking period starts after which they can freely dispose of all their shares.

In the year ended September 30, 2021, there were 10,478 shares granted to 449 Company employees.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

Siemens AG share plans

Regarding share-based payment plans relating to shares of Siemens AG, the completed Spin-off of Siemens Energy AG from Siemens AG constitutes a change of control. Granted but not yet vested share-based payment plans of Siemens Energy's plan participants forfeited. Already partly (pro-rata) vested shares were paid out prematurely. The amount of the cash paid out takes into account the number of (vested) shares and the closing share price of Siemens AG on the day of the Carve-Out. Siemens Energy carries the contractual obligation against its employees to settle the share-based payment transactions. Siemens Energy accounts for these share-based payment plans as cash-settled plans. Siemens Energy accounts for the settlement as an acceleration of vesting and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

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 the Company net income for continuing and discontinued operations amounted to £nil and £76k for the year ended September 30, 2021 and 2020 respectively and refers primarily to equity-settled awards.

(A) 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 AG shares without payment of consideration following the restriction period.

Stock Awards are tied to performance criteria. For Stock Awards granted in financial year 2020, 80% of the target amount is linked to the relative total shareholder return of Siemens AG compared to the total shareholder return of the MSCI World Industrials sector index (TSR-Target) during the four-year restriction period; the remaining 20% is linked to a Siemens AG internal sustainability target considering environmental, social and governance targets (ESG-Target). The annual target amount for Stock Awards up to and including tranche 2019 is linked to the share price performance of Siemens AG relative to the share price performance of five important competitors during the four-year restriction period. The target attainment for each individual performance criteria ranges between 0% and 200%. For awards granted since financial year 2019 settlement is in shares only corresponding to the actual target attainment. Awards granted prior to financial year 2019, target outperformances in excess of 100% are settled in cash. The vesting period is four years.

Further details regarding the fair value of Stock Awards granted is disclosed in the Siemens AG 2021 annual report.

In the year ended September 30, 2021, Siemens AG granted nil (2020: 2,706) Stock Awards to no company employees (2020: 27). Details on stock award activity and weighted average grant date fair value are summarised in the table below:

Siemens AG	Year ended September 30,		Year ended September 30,	
	Awards	Weighted average grant date fair value (€)	Awards	Weighted average grant date fair value (€)
	2021	2021	2020	2020
Non-vested, beginning of year	578	66.08	6,264	62.78
Granted	-	-	2,706	60.06
Vested	-	-	(1,884)	16.26
Forfeited	-	-	(7,167)	44.77
Settlement	(578)	66.08	(36,237)	53.85
Merger	-	-	36,896	51.71
Non-vested, end of year	-	-	578	66.08
Weighted average vesting period in years	-	-	-	2.896

Fair value was determined as the market price of Siemens AG shares less the present value of dividends expected during the four year or three year vesting period. Total fair value of Stock Awards granted in 2021 and 2020 amounted to €nil and €163k respectively.

SIEMENS ENERGY LIMITED

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YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

(B) Share-matching program and its underlying plans of Siemens AG

In fiscal year 2021, no further tranches were issued under any of the Siemens AG share 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 AG 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 AG 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 AG Group, including at that time subsidiaries of Siemens AG, 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 AG 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 with a vesting period of about two years.

Share Incentive Plan

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

In the year ended September 30, 2021, Siemens AG granted nil shares (2020: 716) to no company employees (2020: 133).

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

Siemens AG	Year ended September 30,		Year ended September 30,	
	Awards	Weighted average grant date fair value (€)	Awards	Weighted average grant date fair value (€)
	2021	2021	2020	2020
Non-vested, beginning of year	60	87.15	1,059	89.13
Granted	-	-	716	99.36
Vested	-	-	(205)	82.43
Forfeited	-	-	(174)	87.16
Settlement	(60)	87.15	(4,382)	92.65
Merger	-	-	3,046	92.30
Non-vested, end of year	-	-	60	87.15
Weighted average vesting period in years	-	-	-	0.829

Fair value was determined as the market price of Siemens shares less the present value of expected dividends taking into account non-vesting conditions. Total fair value of shares granted under the share matching plan in 2021 and 2020 amounted to €nil and €71k, respectively.

Siemens AG profit sharing

Fostering ownership culture through equity ownership and leadership based on shared values plays an important role in the vision for Siemens AG. Employees on all hierarchical levels should demonstrate long-term and sustainable thinking. During the financial year September 30, 2016, Siemens AG introduced Siemens Profit Sharing, which supports this idea by offering employees below Senior Management a stake of Siemens AG and thus gives them the opportunity to participate in Siemens AG success, like members of Senior Management already do today. In principle, all employees worldwide below Senior Management will be eligible to benefit from a distribution from the Profit Sharing Pool, subject to a respective decision by the Managing Board of Siemens AG. The amounts to be distributed to the individual eligible employees are, in principle, calculated based on an appropriate distribution key that is applied globally for the allocation of the total distributable amount. The Profit Sharing Pool will be distributed to eligible employees in the form of Siemens AG shares, and should circumstances prevent this form, then the distribution will be in cash. The Managing Board of Siemens AG will decide anew after every fiscal year whether to distribute all or part of the Pool or instead to carry it forward for a distribution in future years. The expense charged to net loss was not financially significant in any of the Siemens Energy UK companies. Total expense for Siemens AG Profit Sharing recognised in the Company amounted to £nil for the year ended September 30, 2021. The accrual as at September 30, 2021 was £nil (2020: £88k).

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

28. Additional disclosures on financial instruments

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

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

	September 30,	
	2021	2020
Financial assets		
Loans and receivables	71,944	95,227
Cash and cash equivalents	-	9,148
Derivatives designated in a hedge accounting relationship	126	602
Derivatives not designated in a hedge accounting relationship	3,404	1,838
	<u>75,474</u>	<u>106,815</u>
Financial liabilities		
Financial liabilities measured at amortised cost	253,939	227,404
Derivatives designated in a hedge accounting relationship	1,050	471
Derivatives not designated in a hedge accounting relationship	1,010	1,597
	<u>255,999</u>	<u>229,472</u>

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

	September 30, 2021		September 30, 2020	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	-	-	9,148	9,148
Trade and other receivables	42,987	42,987	55,706	55,706
Other financial assets	25,450	25,450	35,605	35,605
Other current financial assets	3,507	3,507	3,916	3,916
	<u>71,944</u>	<u>71,944</u>	<u>104,375</u>	<u>104,375</u>
Financial liabilities measured at cost or amortised cost				
Trade and other payables	73,561	73,561	38,112	38,112
Other financial liabilities	174,908	174,908	177,666	177,666
Other current financial liabilities	5,470	5,470	11,626	11,626
	<u>253,939</u>	<u>253,939</u>	<u>227,404</u>	<u>227,404</u>

The fair values of 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.

SIEMENS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

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

	September 30,	
	2021	2020
Financial assets measured at fair value		
Derivative financial instruments	3,530	2,440
	<hr/>	<hr/>
<i>Not designated in a hedge accounting relationship</i>	3,404	1,838
<i>In connection with cash flow hedges</i>	126	602
Financial liabilities measured at fair value		
Derivative financial instruments	2,060	2,068
	<hr/>	<hr/>
<i>Not designated in a hedge accounting relationship</i>	1,010	1,597
<i>In connection with cash flow hedges</i>	461	233
<i>Embedded derivatives</i>	589	238

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

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

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

Fair value hierarchy

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

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

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

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

	September 30,	
	2021	2020
Loans and receivables	377	(1,379)
Derivatives with a hedging relationship	(815)	28
Derivatives without a hedging relationship	468	3,654
Financial assets measured at amortised cost	778	2,823

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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Collateral

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

Derivative financial instruments and hedging activities

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

Foreign currency exchange risk management

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

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

	September 30, 2021		September 30, 2020	
	Asset	Liability	Asset	Liability
Foreign currency exchange contracts without hedging relationship	3,404	1,010	1,838	1,597
Foreign currency contracts in connection with cash flow hedges	126	461	602	233
Embedded derivatives	-	589	-	238
	<u>3,530</u>	<u>2,060</u>	<u>2,440</u>	<u>2,068</u>

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

Derivative financial instruments not designated in a hedging relationship

The Company manages its risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and forecast transactions primarily through a Company-wide portfolio approach. Under this approach the Company-wide risks are aggregated centrally, and various derivative financial instruments, primarily foreign exchange contracts, are utilised to minimise such risks. In certain cases, this strategy qualifies for hedge accounting treatment under IFRS 9. Where hedge accounting does not apply, all such derivative financial instruments are recorded at fair value on the Statement of Financial Position, either in line items *Other current financial assets* or *Other current financial liabilities*, and changes in fair values are charged to *net income or loss*.

Hedging activities

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

Cash flow hedges - The effective portion of the changes in fair value of forward exchange contracts that were designated as foreign currency cash flow hedges are recorded in *Other Comprehensive Income*. The ineffective portion is recorded in the Statement of Income. During the years ended September 30, 2021 and 2020, £(246)k and £(251)k, respectively were reclassified from Other Comprehensive Income into net income because the occurrence of the related hedged forecasted transaction was no longer probable.

As of September 30, 2021 and 2020, the maximum length of time over which the Company is hedging its future cash flows associated with foreign currency forecasted transactions is 2 years.

Financial risk management

The Company manages and controls its financial risks in accordance with the Siemens Energy Group policies.

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 Energy 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 £nil in 2021 (2020: £143k).

Credit risk

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

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

Market risk

Increasing market fluctuations may result in significant earnings and cash flow volatility risk for the Company. Its UK and worldwide operating business as well as its investment and financing activities are affected by changes in foreign exchange rates and interest rates. The Company seeks to manage and control these risks primarily through its regular operating and financing activities and uses derivative instruments when deemed appropriate.

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

Any market sensitive instruments, including equity and interest-bearing investments that the Company's pension plans hold are not included in the following quantitative and qualitative disclosure. For additional information see note 22.

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 Energy 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, further details are disclosed under the financial risk management note in the 2021 Group annual report. 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.

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

As at September 30, 2021	US\$	Euro	Other	Total
Gross Statement of Financial Position exposure	(864)	(7,126)	262	(7,728)
<i>Thereof: Financial asset</i>	-	7,416	530	7,946
<i>Thereof: Financial liabilities</i>	(864)	(14,542)	(268)	(15,674)
Gross exposure from firm commitments and anticipated transactions	(89)	6,059	1,972	7,942
Foreign exchange transaction exposure	(953)	(1,067)	2,234	214
Hedge inflows	89	16,848	169	17,106
Hedge outflows	-	(15,780)	(2,500)	(18,280)
Economically hedged exposure	89	1,067	(2,331)	(1,175)
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(86)		(10)	(96)
As at September 30, 2020				
Gross Statement of Financial Position exposure	(75)	1,035	2,265	3,225
<i>Thereof: Financial asset</i>	203	11,428	2,422	14,053
<i>Thereof: Financial liabilities</i>	(278)	(10,393)	(157)	(10,828)
Gross exposure from firm commitments and anticipated transactions	-	(6,542)	(2,586)	(9,128)
Foreign exchange transaction exposure	(76)	(5,506)	(321)	(5,903)
Hedge inflows	128	26,667	1,066	27,861
Hedge outflows	-	(16,430)	(379)	(16,809)
Economically hedged exposure	128	10,237	687	11,052
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	5	473	36	514

It is a Group policy to use 10% to analyse the sensitivity of currency fluctuations.

Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt or paying its suppliers. The Company uses Siemens Energy Group's cash pooling and cash management systems. The Company mitigates liquidity risk by the implementation of effective working capital and cash management.

Amounts payable to Siemens Energy Group companies are repayable on demand, but historically other Group 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.

	2022	2023-2027	2028 and thereafter
Non derivative financial liabilities	80,035	166,292	10,883
Obligations under leases	6,100	16,292	10,883
Trade and other payables	73,561	-	-
Other financial liabilities	374	150,000	-
Derivative financial liabilities	2,060	-	-

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2021 and 2020.

The Company has £9,824k (2020: £1,655k) amounts due to Group companies included in trade and other payables.

Trade payables and other financial liabilities mainly originate from the financing of assets used in 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 Energy has established a comprehensive risk reporting covering its worldwide business units.

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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 as stated on the Statement of Financial Position. The amounts receivable and due to group companies reported below are held with Siemens Energy AG 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:

	September 30,	
	2021	2020
Cash and cash equivalents	-	9,148
Receivables from Group companies	-	5,125
Total liquidity	<u>-</u>	<u>14,273</u>
Payables to Group companies	(7,811)	-
Long-term debt	(150,000)	(150,000)
Total debt	<u>(157,811)</u>	<u>(150,000)</u>
Net debt	<u>(157,811)</u>	<u>(135,727)</u>

In addition to the balances above, which are held with Siemens Energy AG in the Group cash pooling facility, receivables from Siemens Energy Group companies of £28,381k (2020: £39,174k), amounts due to Siemens Energy Group companies of £2,014k (2020: £1,655k) are held outside this facility. Historically other Siemens Energy Group companies have not demanded repayment of these intercompany balances.

Capital Management

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

The current ratio for 2021 was 0.88 (2020: 0.84). The Company also has access to Siemens Energy AG cash pooling arrangement when necessary.

SIEMENS ENERGY LIMITED

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YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

29. Related party transactions

From the effective date of the Spin off, Siemens AG and its Group entities are reported as an associate of the Company. There are various relationships between Siemens AG and Siemens Energy Group entities in the ordinary course of business, such as sales or purchases of goods and services, leases and transfers under licence agreements.

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

	Sales of goods		Other services sold		Purchases of goods		Other services purchased		Interest income		Interest expense	
	Year ended 2021	Year ended 2020	Year ended 2021	Year ended 2020	Year ended 2021	Year ended 2020	Year ended 2021	Year ended 2020	Year ended 2021	Year ended 2020	Year ended 2021	Year ended 2020
Other Siemens Energy Group companies	25,531	20,499	258	207	140,384	111,108	1,418	1,122	53	46	900	446
Siemens AG Group companies (Associate)	-	895	2,338	4,371	6,583	2,290	563	981	-	398	-	7

Sales of goods to related parties were made at the Company's usual list prices. Purchases were made at market price. Goods and services split has been updated to reflect the right allocation under sales and purchases.

(b) Year end balances arising from sales and purchases of goods/services and lease receivables/payables:

	Amounts owed by related parties		Amounts owed to related parties	
	2021	2020	2021	2020
Other Siemens Energy Group companies	28,136	44,298	469	774
Siemens AG Group companies (Associate)	284	9,527	31,175	31,466

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

The amounts owed to Group companies for purchases of goods given above are disclosed within inventory as goods in transit in 2021 and 2020.

(c) Year end balances arising from loans to / from related parties (including balances held in the Group cash pooling facility):

	Loans owed by related parties		Loans due to related parties	
	2021	2020	2021	2020
Other Siemens Energy Group company	-	5,125	157,811	150,000

No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

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YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

30. Remuneration of key management personnel

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

	Year ended September 30,	
	2021	2020
Short-term employee benefits	1,342	1,059
Post-employment benefits	4	8

The directors of the Company are also directors of fellow Siemens Energy Group companies in the UK. Two of the directors are remunerated by the Company and one by a Group company abroad. The directors do not believe it is practicable to apportion their qualifying services between their services as directors of the Company and their services as directors or employees of fellow Group companies.

31. Directors' transactions

No such transactions occurred in 2021 or 2020 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the directors (or other key management personnel) that would impact the amounts reported in these financial statements.

32. Subsequent events

There were no other significant events after the reporting period.

33. Ultimate parent undertaking

The ultimate parent undertaking is Siemens Energy AG, incorporated in Germany. Siemens Energy 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

<https://www.siemens-energy.com/global/en/company/investor-relations/publications-ad-hoc.html#QuarterlyandAnnualResults>

or obtained from:

Siemens Energy AG
Otto-Hahn-Ring 6
D-81739 Munich
Germany

The immediate parent undertaking is Siemens Gas & Power Holding B.V., a company incorporated in the Netherlands.