SIEMENS MOBILITY LIMITED

Annual report and financial statements

Registered number 00016033

September 30, 2020

SIEMENS MOBILITY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

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SIEMENS MOBILITY LIMITED

STRATEGIC REPORT
YEAR ENDED SEPTEMBER 30, 2020

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

Siemens Mobility Limited is a UK leader in transport solutions and is an integral part of the broader, global Siemens organisation. The Company is constantly innovating its portfolio in its core areas of rolling stock, rail automation and electrification, turnkey systems, intelligent traffic systems as well as related services. With digitalisation, the Company enables mobility operators to make infrastructure intelligent, increase value sustainably over the entire lifecycle, enhance passenger experience and guarantee availability.

Siemens Mobility Limited has around 60 locations UK-wide. This includes several existing transport-focused manufacturing sites including Chippenham (the UK's only remaining signalling and control manufacturing facility) and Poole (manufacturing for the road traffic business, as well as train cab radios). These sites provide products for export in addition to manufacturing for the UK market. The Company additionally owns / operates a significant number of rail and road maintenance depots, a bogie service centre in Lincoln, a rail traction drives operation in Leeds and is building a state-of-the-art manufacturing facility in Goole, East Riding of Yorkshire. Additionally, the Company operates the National Training Academy for Rail (NTAR) in Northampton, in collaboration with National Skills Academy for Rail (NSAR). In the UK, Siemens Mobility Limited maintains the largest installed base of Siemens rolling stock in the world, with its 500+ trains clocking up in excess of 65 million miles in passenger service every year.

The Company is a significant UK employer. In fiscal year 2020, which ended on September 30, 2020, Siemens Mobility Limited employed approximately 5,500 people in the UK including agency workers, of which 280 were at apprentice and graduate level.

General business review

Much of the news headlines that have dominated in fiscal year 2020 have been related to the global Coronavirus (COVID-19) pandemic. As a provider of critical national infrastructure, Siemens Mobility Limited's activities played a pivotal role in keeping Britain's road and rail networks moving. All manufacturing and service sites remained open, with strict protocols in place, to support the movement of key workers. Those employees, such as office and administration staff, who were able to work from home were immediately tasked to do so, supported by appropriate technological and wellbeing solutions.

As part of its focus on inspiring passenger confidence and increasing the transport network's resilience to COVID-19, the Company has offered and implemented a number of solutions to mitigate risk for passengers and operators. This has included a number of technological innovations such as assisting Govia Thameslink Railway (GTR) with safe social distancing on trains by using Advanced Passenger Loading Reporting to provide immediate feedback and retrospective analysis.

Decarbonisation of the transport sector has continued to be an industry priority with CO_2 emission levels reducing to their lowest levels in years during 'lockdown'. This has created keen focus on the topic of 'what next' for the industry and how it can help meet the Government's net zero targets. The Company has been successful in winning a significant number of contracts related to increasing capacity and decreasing congestion on our roads as well as continuing to focus on its clean air and ultra low emissions zone technology and launching air quality monitoring in partnership with air quality experts. A contract to supply a broad range of intelligent infrastructure solutions for the Edinburgh Tram to Newhaven extension will also enable more people to travel using low carbon transport and further improve accessibility within the city.

Signalling, control, automation and electrification continues to form a large part of Siemens Mobility Limited's capabilities. The Company's involvement in Europe's largest engineering project, Crossrail, continues to be a core business focus and the Company continues to work with Crossrail and other suppliers to support the opening of the Elizabeth line at the earliest opportunity. This has included the launch of a new Siemens Mobility-built Crossrail Integration Facility used by Siemens Mobility Limited, Bombardier and Crossrail to undertake off-site testing. The Company is looking forward to the start of trial running next year.

Siemens Mobility Limited's rail infrastructure business was also successful in being awarded framework contracts to deliver major signalling renewal programmes across two of Network Rail's five regions – Scotland and North West & Central – the maximum able to be awarded to any one supplier. In addition, the Company was awarded an eight-year framework to provide support services for all its signalling equipment across the rail network.

Last year the Company announced the successful award of a contract for new trains for London's Piccadilly line. Linked to this and further showcasing commitment to the UK, Siemens Mobility Limited announced plans to construct a factory costing up to £200m for manufacturing state-of-the-art trains for the UK market in Goole, in the East Riding of Yorkshire. Significant progress has been made on this project this year including the award of full planning consent and 'groundbreaking' of the Goole site by Prime Minister Boris Johnson. In addition, the Company announced the appointment of Selby College as local training provider and the first 12 apprentices for the site started their new roles in September 2020. The Goole facility will create up to 700 skilled engineering and manufacturing jobs, plus an additional 250 roles created during the construction phase and an associated 1,700 potential UK supply chain roles. The first phase of manufacturing facilities is expected to open in 2023. Plans were also announced this year for a leading centre for research, development, and innovation for the UK rail industry to be co-located at the Goole site. The £6m building will be the first phase of an innovation cluster known as the Rail Accelerator and Innovation Solutions Hub for Enterprise (RaisE).

General business review - Statement of Income

2020 revenue of £912.8m was impacted by COVID-19 with some delays in signals commissioning where new safe ways of working were established with customers and the temporary suspension of traffic capital works projects by some Local Authorities. Manufacturing and service sites remained operational throughout the pandemic reducing the potential impact on revenue and profitability.

2019 revenue of £1,343.3m includes the fulfilment of the train delivery for Moorgate as well as the completion of the fulfilment for Eurostar.

The Company made a profit for the financial year, net of taxation of £117.0m (2019: £121.0m) from its continuing operations. In light of COVID-19 the performance in 2020 exceeded the expectations of the directors due to the Company being able to adopt measures to continue to operate during the global pandemic and the settlement of a project claim from an historical overseas signals project (see note 4). The directors believe the underlying results for the year reflect the ongoing trading performance of the Company.

General business review - Statement of Financial Position

The increase in total current assets to £568.8m (2019: £426.5m) was largely due to the increase in cash balances to £250.4m (2019: £135.4m). The majority of this cash balance is placed on short term deposit, an intercompany balance with Siemens Financial Services, therefore it is reported within trade and other receivables of £325.6m (2019: £214.4m). Consideration of a dividend payment coincided with the initial uncertainties around the impact of COVID-19 and therefore the payment of a dividend at this time was not considered to be appropriate.

The increase in total liabilities to £623.4m (2019: £552.8m) was largely attributable to an increase in contract liabilities including the billing on long term rolling stock maintenance contracts which is split evenly over the life of the contract however the cost profile, depending on overhaul activity, varies year on year.

General business review – Statement of Cash Flows

Cash flow generated from operating activities was £132.7m (2019: £169.1m) reflecting close collaboration with customers, building on these relationships throughout COVID-19, to deliver projects as well as the historical overseas project claim settlement however less than 2019 mainly due to the increase in tax payments.

Analysis of Financial Key Performance Indicators

Siemens Mobility Limited measures its performance on a number of key performance indicators, including revenue, profit from operations and net cash from operations as discussed above.

New business developments

Siemens Mobility Limited has also been announced as the Network Rail Train Control and Traffic Management Partner, and awarded the Phase 2 of the Power Supply Upgrade for the ground-breaking outcome driven East Coast Main Line (ECML) programme – which will transform the experience of using the 393-mile-long electrified East Coast Main Line between London and Edinburgh for both passengers and freight operators, unlocking capacity on the railway, increasing reliability and saving thousands of hours in delays compared to today.

New orders also include the award of the Birmingham New Street Area Re-signalling Phase 7 project which, upon completion in December 2022, will significantly improve the experience of over 140,000 passengers who travel through Birmingham New Street station each day.

Section 172(1) statement

The Company has a governance structure which provides a framework for the Board of Directors to make decisions for the long-term success of the Company and its stakeholders. That governance structure also enables compliance with the requirements of Section 172 of the Companies Act 2006 through corporate governance practices based on the principles of transparency, equity, accountability and corporate responsibility.

The governance arrangements and board structure are explained in the corporate governance statement in the directors' report.

When decisions are made, the Board of Directors has regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, when performing its duties under section 172 and considers the following:

Interests of the Company's employees

The reputation of the business is built on quality, timely and reliable delivery of projects and service. This is wholly dependent on a workforce that is engaged, listened to and involved in the purpose and strategy of the business.

There are a number of ways the Board of Directors engages with employees to gain an understanding from their perspective and discuss issues such as:

- employee consultative forums chaired by the CEO and CFO with other senior management attending giving employee representatives the opportunity to raise and discuss topics driven from the employees.
- employee engagement surveys which are run twice during the year where all employees can communicate how they are feeling, allowing for free text commentary on topics that they consider need either maintaining or improving in the business.
- business roadshows are held throughout the organisation engaging with employees within the business units and covering more local topics.

Key decisions taken in the year:

- the COVID-19 pandemic presented additional opportunities and needs for communication. This included the implementation of weekly bulletins and specific surveys to assess health and safety, as well as covering mental health and coping strategies. Most recently the Company polled attitudes towards a different way of working in the future.

- the Company incorporated feedback from employees into creating the approaches for safe working practices during the COVID-19 pandemic.
- in addition, weekly updates were provided to all employees along with health and safety focus days and various virtual well-being workshops open to all. Video live casts were used to enable the CEO and CFO to present business critical updates. Considerable time was devoted in these sessions responding to questions raised by employees.

Maintaining employee feedback is vital and continuing the employee engagement surveys is key to listening to employees.

Relationships with customers

Siemens Mobility Limited focuses on regular customer engagement at all levels. This engagement takes a variety of forms including workshops to both create and share feedback and develop subsequent actions plans for improvement. It can also include working with strategic customers to achieve or to be recertified for ISO 44001.

An annual customer survey provides useful feedback on satisfaction levels and customer advocacy. It also provides a rich source of data to improve customer offerings. The Company's ability to undertake this annual survey was impacted by COVID-19 in 2020, therefore some of the decisions on the feedback were based on previous surveys.

The Company's key priorities during the year included the following:

- to build on customer relationships to form and improve the collaborative working environment to deliver customer expectations.
- listen and work with customers to shape the road and rail solutions of the future.
- maintain open dialogue with customers to work together to maintain road and rail infrastructure throughout the COVID-19 pandemic as well as developing solutions to restore confidence and increase public transport resilience in the wake of the pandemic.

Key decisions taken in the year:

- following the successful restructure of the Rolling Stock customer services team to introduce a more customer-focused approach for Train Operating Companies (TOCs) in FY19, a similar approach has been adopted for the Rolling Stock Leasing Companies (ROSCO) during the year. Relationship leads have been identified for each ROSCO and relationship plans developed.
- in December 2019, the Company's business units were restructured, resulting in the formation of a new Rail Infrastructure business unit incorporating the existing areas of Rail Automation and Rail Electrification alongside the business units for Rolling Stock and Intelligent Traffic Systems. This has allowed us to maximise value to our customers by offering cross-infrastructure capability.
- in respect of COVID-19, a portfolio of solutions and products were developed across the businesses and shared with customers and key stakeholders. The aim was to assist customers in restoring confidence in public transport. The approach was viewed as proactive and well received.

Relationships with suppliers

Close engagement with suppliers is important to be able to deliver high quality and innovative solutions to customers.

Siemens Mobility Limited operates a continuous process of ongoing discussion and collaboration, facilitated by interaction at all levels. This contributes towards building robust, innovative and successful supplier relationships.

The Company has encouraged supply chain collaboration by supporting events which build business. Focused supplier forum events foster open discussion and ideas for innovation, cost savings, timeliness to market, and opportunities for developing relationships.

The Company's suppliers play an important role in helping the business achieve sustainability objectives. Promoting acceptable working conditions, environmentally responsible management and ethical behaviour are core elements of the Company's values.

The Company's key priorities during the year included the following:

- to promote a transparent and fair environment for potential suppliers to participate in the Company's processes. Together with the ethics and compliance program, the safety and environmental guidelines and local teams, the Company strives to ensure it includes sustainable practices that support the environment, stakeholders and the communities.
- engagement and collaboration with suppliers through participation in interactive supplier conferences/ supplier days where the business shares the vision and areas of strategic focus for the supply chain.

Key decisions taken in the year:

- the inclusion of collaborative sessions in supplier events provides an environment for open discussion helping to forge strong relationships that continue to deliver value to both suppliers and Siemens Mobility Limited.
- creation of launch events and follow up meetings with suppliers to create a seamless and collaborative approach to ongoing development.
- supplier event progress report introduced to monitor level of supplier interest and procurement engagement around event topics.

Community and environment

Siemens Mobility Limited is present in approximately 60 locations across the UK including offices, manufacturing sites and service depots. With the portfolio of road and rail solutions, the communities that the Company impacts are widespread.

Effective community engagement allows the business to align priorities with the needs and aspirations of local people, ensuring that benefits are maximised, and any potential conflicts or risks are mitigated.

This includes a commitment to engage with local community groups. The Company focuses on encouraging and fostering interest in engineering and the transport industry and promote sustainable procurement, utilising local and/or SME suppliers.

The Company supports local and national charities with a designated charity committee reviewing support on a regular basis. There is also a company matching scheme for employee fundraising activities.

The Company's key priorities during the year included the following:

- appointment of a diversity, inclusion & community manager, to actively promote community agenda with a renewed strategy and governance process.
- focus on promoting community across the business to bring employees together to work collectively, share experiences and plan the way forward.
- the Company has a highly dedicated group of STEM Ambassadors who regularly engage with schools and local youth groups to provide awareness of transport industry opportunities, particularly STEM careers. The Company's focus is to encourage under-represented groups into STEM roles, including women, people with disabilities, and those from a low socio-economic background.

COVID-19 has had an adverse impact on the ability to progress with key priorities this year. Local community projects and STEM activities were unable to take place and virtual STEM events were not possible under the safeguarding policy.

Key decisions taken in the year:

- recorded workshops were designed and produced to continue engagement with schools despite the pandemic. Virtual classroom events are now being explored. Face to face community events will be reinstated when risk can be acceptably mitigated.

Government

Siemens Mobility Limited has customers in both the private and public sectors. As a result, the Company is directly impacted by the formation of parliamentary policy, government policy, regulation and legislation.

Dialogue with political decision-makers is of major importance for the Company's success and its commitment to corporate citizenship.

Any political engagement is prioritised in line with business strategy and must meet company-wide, global compliance principles and procedures. Siemens Mobility Limited does not make political donations or contributions (donations to politicians, political parties or political organisations).

In addition, the Company is politically neutral, therefore all contributions that support political purposes or the representation of political interests are prohibited under our internal guidelines.

The Company's key priorities during the year included the following:

- establishing and maintaining relationships with key UK government officials and advisors.
- maintain dialogue with policy makers and relevant stakeholders through its membership of key trade bodies and associations.
- positioning Siemens Mobility Limited as a valued business partner and thought leader within the transport sector.

Key decisions taken in the year:

The Company made a number of submissions to Government including:

- prospectuses of innovative products and solutions to restore public confidence in transport during the COVID-19 pandemic.
- response to the Department for Transport's consultation on decarbonising the transport network.
- response to the consultation on HM Treasury's Spending Review.

The Company held a number of direct meetings with ministers, advisers and officials as well as attending roundtables and events at which ministers spoke. In July, the Prime Minister visited the site of Siemens Mobility Limited's new Goole factory, meeting leaders of the business as well as several apprentices.

Shareholder

Siemens Mobility Limited is part of the Siemens group of companies, of which the ultimate shareholder is Siemens AG. The Company's intermediate parent company is Siemens Mobility GmbH. Siemens AG is responsible for setting the overall strategy for the group, whereas Siemens Mobility GmbH is responsible for setting the more detailed strategy for the mobility group of companies. Engagement with shareholders is an ongoing process and the directors have regard to the strategy set by its immediate and ultimate parent companies when setting the strategy for the Company. Key priorities: delivering sustainable, profitable growth over the long term.

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 contracts, changes in the regulatory and legal environment, and credit and interest rate risks, which may increase due to the global shortage of credit. The Company has a diversified range of customers and revenue streams and provides products and services that support essential public services such as public transportation.

STRATEGIC REPORT
YEAR ENDED SEPTEMBER 30, 2020

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The Company remains vigilant regarding the potential economic impact of the global COVID-19 pandemic. As a provider of critical national infrastructure, Siemens Mobility Limited's operations – in both road and rail – were, and continue to be, essential to ensure key workers, such as doctors, nurses and care workers, were able to travel safely and efficiently. The Company continues to work with customers and Government to plan for broader returns to the workplace in line with policy and has been active in developing and promoting solutions to mitigate risk and boost passenger confidence.

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

Siemens Mobility GmbH, together with Siemens AG, have decided to carve out the Intelligent Traffic Systems Business Unit (ITS) as a separate company during the next financial year. ITS is characterised by its predominantly medium-sized competitive environment with flexible structures. To ensure that the business can succeed in this field over the long term, it has been decided to give ITS greater entrepreneurial freedom and flexibility. Operating as an independent company, it will be easier for ITS to follow its growth strategy, pursue new opportunities and secure the necessary investments.

With the recent developments on COVID-19, the Company is working closely with employees, customers and suppliers to ensure that it continues to support the UK's road and rail infrastructure.

Signed by order of the Board of Directors

W Wilson

Director

Approved by the directors on February 8, 2021

Registered office:
Euston House
24 Eversholt Street
London
England
NW1 1AD

DIRECTORS' REPORT
YEAR ENDED SEPTEMBER 30, 2020

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

J Maier	Resigned 30 November 2019
S Owen	
W Wilson	
N Jordan	Resigned 25 October 2019
C Ennis	Appointed 3 February 2020

None of the directors holding office at September 30, 2020 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 (2019: £nil).

Research and development

The Company continues to invest in research and development in the UK. During the year, the Company spent £12,838k (2019: £14,544k) on research and development.

Financial statements

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 32 to the financial statements.

Going concern

Based on the Company's forecasts, the directors consider that the Company will continue the trend of previous years and will trade profitably and generate positive cash flows from operations over the going concern period to March 31, 2022; the date until which the assessment was performed. Additionally, Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Using this facility, the Company had £210m cash on deposit at year end with fellow subsidiary company Siemens Financial Services included within Receivables from group companies. The directors have made enquiries to satisfy themselves that Siemens Financial Services will be able to provide the required liquidity under the cash pooling agreement over the going concern period. Further information on these risks, and their potential impacts, can be found in the 2020 Siemens AG annual report.

For 2020, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements even in light of COVID-19.

Statement on engagement with stakeholders

There is active engagement with all stakeholders of the Company, from employees to customers and supplier. Please refer to the Section 172 (1) statement in the strategic report for further detail.

Employee engagement statement

There is active engagement with all employees of the Company. Please refer to the Section 172 (1) statement in the strategic report for further detail.

Equal opportunities

The Company is committed to equal opportunities for all, free from discrimination and harassment. Siemens values the contribution of all employees. All job applicants and employees, customers, visitors or contractors will receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality or ethnic or national origins.

Within Siemens, applicants and employees will be recruited, selected, trained and promoted on objective grounds, i.e. on the basis of their abilities to contribute most effectively to the success of the Company. Wherever possible, we will assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

Corporate governance statement

The Board and its responsibilities

The Company is required by The Companies (Miscellaneous Reporting) Regulations 2018 to issue a statement in relation to its corporate governance practices. Having considered a number of corporate governance codes, the Directors have adopted the Wates Corporate Governance Principles for Large Private Companies. The purpose of this report is to outline the way in which the Company has applied the principles over the financial year.

Principle 1 – Purpose and leadership

"An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose"

Siemens Mobility Limited is part of the Siemens group of companies, of which the ultimate shareholder is Siemens AG, which is responsible for setting the overall strategy for the Siemens group. The Company's intermediate parent company is Siemens Mobility GmbH, which is responsible for setting the more detailed strategy for the mobility group of companies ("Mobility Group"). Engagement with shareholders is an ongoing process and the Board has regard to the strategy set by its immediate and ultimate parent companies when setting the strategy for the Company.

The Mobility Group's vision is to be "global entrepreneurs, trusted by our partners to pioneer transportation, moving people sustainably and seamlessly from the first mile to the last".

The Board has responsibility for developing and promoting the Mobility Group's vision in the UK and Ireland and ensuring that its values, strategy and culture align with that vision.

The Siemens values are:

- Responsible
- Excellent
- Innovative

In order to help the Company apply the values, the Company has adopted a set of Business Conduct Guidelines, which guide the Company's decisions and the overall conduct of employees at Siemens. Every employee is trained on the Business Conduct Guidelines and is required to follow them in their activities.

At the core of the vision, we place the culture we want to nurture. Culture is a key focus area for the Board and the Board has sponsored a number of cultural enquiries within the Company to ascertain how the employees perceive the culture. These led to a number of workshops with senior management teams across the businesses and the roll out of the Company's five cultural tenets: We care for each other, we lead with integrity, we are one team, we are innovative and agile, we are accountable. The adoption of this culture is firmly led by the Board, sharing its passion for the culture and setting the tone from the top.

Principle 2 – Board Composition

"Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company."

The Board comprises the Chief Executive Officer, the Chief Financial Officer and the chief executive officer of the Company's affiliated company, Siemens plc. The composition of the Board is dictated by the Company's shareholder, which has adopted a lean boards approach to governance. The Board has reflected on the size of the Board and has concluded that it is appropriate, considering the scale and complexity of the Company.

Each of the members of the Board has a wealth of experience and knowledge gained either with Siemens group companies or elsewhere, which enables each member to bring their own perspective to Board discussions.

Principle 3 – Responsibilities

"The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge."

The Company has adopted a three tier governance structure as follows:

- Executive Board
- Core Leadership team
- Business Unit management teams

The Executive Board is chaired by the Chief Executive. There is regular dialogue between the members of the Executive Board and formal meetings are held as required.

The Core Leadership team comprises the Chief Executive Officer, Chief Financial Officer, Company Secretary, managing and finance leads for each business unit and the heads of core functions. The Core Leadership team has a formal meeting once a month, and operational management calls twice a week.

The Company Secretary is responsible for calling all meetings of the Executive Board and the Core Leadership Team. Executive Board meetings are minuted and decisions and actions from Core Leadership Team meetings are recorded.

The Directors receive regular updates from each business unit and from core functions including human resources, real estate, legal and health and safety.

The Board has reserved certain matters for its own approval, whilst the day to day management of the Company is undertaken by the Core Leadership Team.

Further corporate governance practices are contained in the Business Conduct Guidelines, referred to earlier in this statement.

Each Board member is reminded of their accountability and responsibilities on an annual basis, and is required to confirm that they have understood them.

Principle 4 – Opportunity and Risk

"The Board should promote the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establish oversight for identification and mitigation of risk."

Risk and internal control is a key part of the Siemens Group's governance. All Siemens entities are required to implement an effective and efficient risk and internal control system within their area of responsibility. The risk and internal control system is driven by the expectations of stakeholders, legal and regulatory requirements and the needs of management since it provides a degree of assurance that:

- risks and opportunities regarding meeting the Company's business objectives are being adequately managed;
- assets are safeguarded;
- financial reporting is reliable; and
- laws and regulations are complied with.

The Company has adopted an Enterprise Risk Management (ERM) system to provide a standardised method for identifying Siemens-wide risks and clearly defined accountabilities and procedures for managing these risks. The ERM system is based on the globally accepted "COSO Enterprise Risk Management – Integrating with Strategy and Performance" (2017). By establishing and maintain a comprehensive and integrated ERM process the Company creates the necessary foundation to identify, assess and respond to relevant risks and opportunities.

The framework for managing risks and opportunities in projects is governed by procedures issued by the Company's shareholder which require the entry of project risks and opportunities into a reporting tool. By this method, all members of the project team are made aware of the significant risks to their work and are able to take action to manage the risks effectively.

The Board review the risks associated with underperforming projects based on a traffic light system. These reviews are conducted together with the managing and finance leads for the relevant business unit, together with their counterparts in the Company's shareholder. Other projects are reviewed by the business unit management team.

Principle 5 – Remuneration

"A board should promote executive remuneration structures aligned to the long term sustainable success of a company, taking into account pay and conditions elsewhere in the Company."

Executive remuneration is set by Siemens AG and structures are aligned across all Global Senior Managers. Executive remuneration principles encourage a focus on both long term and short term performance and considerations. In addition, the principles are designed to encourage a focus on financial and non-financial performance and ensure a competitive overall remuneration package.

1/ Compensation linked to performance: Exceptional achievements are to be adequately rewarded, while falling short of targets results in an appreciable reduction in compensation. Annual pay award is significantly and explicitly influenced by individual performance.

2/ Ensuring competitiveness: In order to attract outstanding candidates for Senior Manager roles and to retain them for the long term, compensation should be attractive compared to that offered by competitors. This is ensured through annual external benchmarking using executive remuneration surveys from established and credible providers. Such data is systematically used in recruitment, promotion and pay review decision making.

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

4/ Focus on financial and non-financial performance and contribution: All aspects of executive remuneration are influenced by both financial and non-financial measures of performance. Annual pay review is influenced by "WHAT" a Senior manager achieves (which include both financial and other measures such as health and safety, employee engagement and corporate social responsibility) and "HOW" they contribute (demonstrating exemplary behaviours against the Company's values). Short term incentive (Annual Bonus) achievement is determined by financial measures but in the case of any compliance breach no bonus would be paid. Long term incentives are based on long term share performance measures and also include explicit Environmental and Social sustainability elements such as CO_2 reduction, customer satisfaction scores and employee learning.

Based on these principles, Senior managers' remuneration comprises both non-performance based and performance based elements and is divided into three main components:

- Base compensation
- Short term variable compensation
- Long-term stock based compensation

Principle 6 – Stakeholder Relationships and Engagement

"Directors should foster effective relationships aligned to the Company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions."

A detailed description of how the Board engages with its stakeholders is set out in the Company's Section 172(1) statement which forms part of the Strategic Report.

Political donations

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

Streamlined energy and carbon reporting

UK Greenhouse gas emissions and energy use data for the period 1 October 2019 to 30 September 2020:

Energy consumption (kWh), combustion of gas	**8,796,559**
Energy consumption (kWh), electricity (location based)	**3,299,671**
Energy consumption (kWh), electricity (market based)	**13,147,239**
Energy consumption (kWh), combustion of transport fuels	**19,778,929**
Energy consumption (kWh), other	**686,489**
Total energy consumption in kWh used to calculate emissions	**45,708,887**
Scope 1 emissions in tonnes CO2e	
Direct emissions from stationary combustion	**1,617.42**
Direct emissions from mobile combustion	**164.92**
Direct emissions from transport mobile combustion	**4,728.21**
Total scope 1 emissions	**6,510.55**
Scope 2 emissions in tonnes CO2e	
Indirect emissions from electricity (location based)	**769.29**
Indirect emissions from electricity (market based)	**0.00**
Total scope 2 emissions	**769.29**
Scope 3 emissions in tonnes CO2e	
Other indirect (scope 3) emissions from business travel where company is responsible for purchasing fuel	**340.89**
Total scope 3 emissions	**340.89**
Total gross emissions in tonnes CO2e	**7,620.73**
Intensity ratio tonnes CO2e per hour worked	**0.69**

The Company has followed the 2019 HM Government Environmental Reporting Guidelines and has used the 2020 UK Government's Conversion Factors for Company Reporting.

The reported emissions intensity ratio is the total gross emissions in tonnes CO2e per hour worked by on-site permanent personnel and third parties.

Siemens Mobility Limited is continuing its journey to reduce its greenhouse gas emissions, and to support its clients in doing the same. The Company has undertaken significant work towards reducing its energy and carbon footprint and has put plans in place for further reductions across the coming years. This work is supporting the overarching commitment to becoming carbon neutral before 2030 and the recent engagement with the Science Based Targets Initiative to develop a roadmap to carbon neutrality.

The proactive management of operational greenhouse gas emissions is central to understanding, controlling and reducing the Company's carbon footprint. Key ongoing projects include:

- Fleet Management
  - Modification to facilitate the change from Internal Combustion Engines (ICE) to an electrified fleet for both commercial and company car vehicles including optimisation of fleet telemetry.
  - Installation of electric vehicle charging points at Chippenham, Poole and Northampton.
- Procurement of 100% renewable energy since 2017.
- Installation of energy efficient LED lighting to reduce energy demands.

Siemens Mobility Limited is continuing to focus on energy management activities, energy efficiency, procurement of renewable energy and innovation to drive carbon reductions.

More broadly, Siemens Mobility Limited is making the case for decarbonising Britain's transport systems more quickly in order to fight climate change, by investing in technology and cutting red tape that restricts investment. Doing so will also create green jobs and sustainable growth.

DIRECTORS' REPORT
YEAR ENDED SEPTEMBER 30, 2020

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.

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

Signed by order of the Board of Directors

W Wilson
Director

Approved by the directors on February 8 2021

Registered office:
Euston House
24 Eversholt Street
London
England
NW1 1AD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws and regulations in the United Kingdom. Under company law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') in conformity with the Companies Act 2006.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS MOBILITY LIMITED YEAR ENDED SEPTEMBER 30, 2020

Opinion

We have audited the financial statements of Siemens Mobility Limited for the year ended September 30, 2020 which comprise the statement of income, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes 1 to 38, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at September 30, 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst + Young LLP

Jon Killingley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 9 FEBRUARY 2021

SIEMENS MOBILITY LIMITED

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

	Note	2020 £'000s	2019 £'000s
Revenue	4, 5	**912,844**	1,343,309
Cost of sales		**(704,485)**	(1,122,639)
Gross profit		**208,359**	220,670
Research and development expenses		**(12,516)**	(14,544)
Marketing and distribution expenses		**(24,203)**	(24,497)
Administrative expenses		**(29,323)**	(28,015)
Other operating expenses	7	**(138)**	(309)
Operating profit	6	**142,179**	153,305
Interest income	10	**3,388**	3,368
Interest expense	10	**(588)**	(291)
Interest expense from pension plans and similar commitments, net	10	**(1,052)**	(771)
Impairment loss on investment	21	**-**	(5,034)
Income from continuing operations before income taxes		**143,927**	150,577
Income tax expenses	11	**(26,958)**	(29,592)
Net income for the financial year		**116,969**	120,985

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

	Note	2020 £'000s	2019 £'000s
Net income for the financial year		**116,969**	120,985
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans losses	26	**(8,424)**	(26,927)
Deferred tax credit on remeasurement losses		**1,432**	4,578
Deferred tax rate change adjustment		**465**	-
Total items that will not be reclassified to profit or loss		**(6,527)**	(22,349)
Items that may be reclassified subsequently to profit or loss			
Gains/(losses) on derivative financial instruments	32	**604**	(852)
Deferred tax (expense)/credit on losses on derivative financial instruments		**(102)**	145
Deferred tax rate change adjustment		**(41)**	-
Total items that may be reclassified subsequently to profit or loss		**461**	(707)
Other comprehensive expense, net of income taxes		**(6,066)**	(23,056)
Total comprehensive income		**110,903**	97,929
Attributable to: Owners of the Company		**110,903**	97,929

STATEMENT OF FINANCIAL POSITION
As of September 30, 2020 and 2019 (in thousands of £)

	Note	2020	2019
		£'000s	£'000s
ASSETS			
Cash and cash equivalents		**567**	792
Trade and other receivables	12	**325,579**	214,379
Other current financial assets	13	**23,702**	24,172
Contract assets	5,14	**97,823**	78,557
Inventories	15	**115,466**	104,561
Other current assets	16	**5,630**	4,076
Total current assets		**568,767**	426,537
Goodwill	17	**780,698**	780,698
Other intangible assets	18	**4,731**	3,011
Property, plant and equipment	19	**61,989**	61,112
Right-of-use assets	20	**36,246**	-
Investments	21	**-**	-
Other financial assets	22	**47,440**	44,951
Pension plans and similar assets	26	**11,229**	14,711
Deferred tax assets	11	**7,720**	6,385
Other assets		**456**	311
Total non-current assets		**950,509**	911,179
Total assets		**1,519,276**	1,337,716
LIABILITIES AND EQUITY			
Trade and other payables	24	**81,242**	85,360
Other current financial liabilities	23	**713**	1,464
Contract liabilities	5,14	**267,751**	236,592
Current provisions	27	**15,528**	12,101
Current income tax liabilities	11	**25,154**	40,062
Lease liabilities	20	**9,583**	-
Other current liabilities	25	**104,779**	88,173
Total current liabilities		**504,750**	463,752
Post-employment benefits	26	**77,803**	71,699
Provisions	27	**9,688**	14,268
Contract liabilities	5,14	**995**	-
Lease liabilities	20	**27,873**	-
Other liabilities	28	**2,334**	3,067
Total non-current liabilities		**118,693**	89,034
Total liabilities		**623,443**	552,786

STATEMENT OF FINANCIAL POSITION
As of September 30, 2020 and 2019 (in thousands of £)

	Note	2020 £'000s	2019 £'000s
Equity			
Share capital	29	**541,358**	541,358
Cash flow hedging reserve		**1,655**	1,194
Retained earnings		**352,820**	242,378
Total equity		**895,833**	784,930
Total liabilities and equity		**1,519,276**	1,337,716

These financial statements were approved and authorised for issue by the Board of Directors on February 8 2021 and were signed on their behalf by:

S Owen
Director

Registered number: 00016033
Siemens Mobility Limited

SIEMENS MOBILITY LIMITED

STATEMENT OF CASH FLOWS

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

	Note	2020 £'000s	2019 £'000s
Cash flows from operating activities			
Net income for the financial year		**116,969**	120,985
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation and amortisation	6, 18, 19, 20	**18,786**	7,616
Income tax expenses	11	**26,958**	29,592
Interest income	10	**(2,800)**	(3,077)
Defined benefit pension charge in Statement of Income	26	**7,078**	6,266
Loss on disposal of property, plant and equipment, net	7	**113**	39
Impairment of intangible assets and property, plant and equipment	6, 18, 19	**12**	4
Other non-cash expenses/(income)		**604**	(853)
Investment impairment		**-**	5,034
Operating profit before changes in working capital and provisions		**167,720**	165,606
Changes in assets and liabilities			
Inventories		**(10,905)**	(18,003)
Contract assets		**(19,266)**	2,963
Trade and other receivables		**549**	60,043
Other current assets		**(1,084)**	216
Trade payables and accrued expenses		**(7,110)**	1,855
Contract liabilities		**32,154**	(14,818)
Current provisions		**3,427**	(5,950)
Other current liabilities		**18,469**	(11,577)
Long term assets		**(2,634)**	(2,309)
Long term liabilities		**(4,032)**	(5,593)
Cash generated from operations		**177,288**	172,433
Research and Development tax credit		**(561)**	(530)
Income taxes paid		**(40,886)**	-
Interest received		**2,800**	3,077
Defined benefit pension contributions paid	26	**(5,916)**	(5,836)
Cash flows from operating activities – continuing operations		**132,725**	169,144
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	18, 19	**(10,350)**	(11,981)
Disposal of intangibles and property, plant and equipment	18, 19	**85**	(39)
Purchase of trade and assets of other entities	3	**-**	(6,520)
Cash flows from investing activities – continuing operations		**(10,265)**	(18,540)

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

	Note	2020 £'000s	2019 £'000s
Cash flows from financing activities			
Change in financing from other group companies	12, 24	**(110,876)**	(150,645)
Principal elements of lease payments	20	**(11,809)**	-
Cash flows from financing activities – continuing operations		**(122,685)**	(150,645)
Change in cash and cash equivalents		**(225)**	(41)
Cash and cash equivalents at the beginning of the year		**792**	833
Cash and cash equivalents at the end of the year		**567**	792

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

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

STATEMENT OF CHANGES IN EQUITY
For the years ended September 30, 2020 and 2019 (in thousands of £)

	Share capital	Capital contribution reserve	Cash flow hedging reserve	Retained earnings	Total equity
	£'000s	£'000s	£'000s	£'000s	£'000s
Brought forward October 1, 2018	541,358	-	1,901	143,742	687,001
Net income for the financial year	-	-	-	120,985	120,985
Other comprehensive expense, net of income taxes	-	-	(707)	(22,349)	(23,056)
Total comprehensive income for the financial year	-	-	(707)	98,636	97,929
Equity settled share-based payments	-	540	-	-	540
Recharge from ultimate parent undertaking	-	(540)	-	-	(540)
Balance at September 30, 2019	541,358	-	1,194	242,378	784,930
Brought forward October 1, 2019	**541,358**	-	**1,194**	**242,378**	**784,930**
Net income for the financial year	-	-	-	**116,969**	**116,969**
Other comprehensive expense, net of income taxes	-	-	**461**	**(6,527)**	**(6,066)**
Total comprehensive income for the financial year	-	-	**461**	**110,442**	**110,903**
Equity settled share-based payments	-	**916**	-	-	**916**
Recharge from ultimate parent undertaking	-	**(916)**	-	-	**(916)**
Balance at September 30, 2020	**541,358**	-	**1,655**	**352,820**	**895,833**

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.

Capital contribution reserve

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

Other comprehensive income

Other comprehensive income is allocated to retained earnings with the exception of £461k (2019: -£707k), which relates to gains on derivative financial instruments. This is allocated to the cash flow hedging reserve.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2020 and 2019 (in thousands of £)

1. Basis of presentation

The accompanying financial statements present the operations of the Company and have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements were authorised for issue by the Board of Directors on February 8, 2021. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

Siemens Mobility Limited 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 £. The Company is a United Kingdom based company incorporated in England and Wales and its principal activity is to shape connected mobility through the design, manufacture, installation and maintenance of railway signalling systems, passenger transportation systems, traffic management and associated systems and rail electrification. With digitalisation, the Company enables mobility operators worldwide to make trains and infrastructure intelligent, increase value sustainably over the entire life cycle, enhance passenger experience and guarantee availability.

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 2020. In these financial statements, the term 'group' refers to all companies for whom the ultimate parent undertaking is Siemens AG. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going Concern — Based on the Company's forecasts, the directors consider that the Company will continue the trend of previous years and will trade profitably and generate positive cash flows from operations over the going concern period to March 31, 2022; the date until which the assessment was performed. Additionally, Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Using this facility, the Company had £210m cash on deposit at year end with fellow subsidiary company Siemens Financial Services included within Receivables from group companies. The directors have made enquiries to satisfy themselves that Siemens Financial Services will be able to provide the required liquidity under the cash pooling agreement over the going concern period. Further information on these risks, and their potential impacts, can be found in the 2020 Siemens AG annual report.

For 2020, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next twelve months from the date of approval of the financial statements. Thus, the Company continues to adopt the going concern basis of preparation for the financial statements.

2. Summary of significant accounting policies and critical accounting estimates

Business combinations — Business combinations (other than those from Siemens group companies) are accounted for under the acquisition method. 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 the Statement of Income. At the date control is lost, any retained equity interests are remeasured to fair value.

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

Sales from construction-type contracts: Revenues are recognised over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognised as an expense immediately. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

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

Revenues from services: Revenues are recognised over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided, i.e. under the percentage-of-completion method as described above. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

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

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

Receivables from finance leases, in which the Company as the lessor transfers substantially all the risks and rewards incidental to ownership to the customer are recognised at an amount equal to the net investment in the lease. Finance income is subsequently recognised based on a pattern reflecting a constant periodic rate of return on the net investment using the effective interest rate method. A selling profit component on manufacturing leases is recognised based on the policies for outright sales. Profit from sale and leaseback transactions is recognised immediately if significant risks and rewards of ownership have passed to the buyer, the leaseback results in an operating lease and the transaction is established at fair value.

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

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

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

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

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

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

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

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

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

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

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

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired companies, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, net income is used as an approximation for cash flow in the discounted cash flow calculation. Average net income for the last 3 years and next 1 year is assessed based on actual operating results and financial forecasts respectively. This average is then extrapolated using individual growth rates. Projections consider past experience and represent management's best estimate about future developments. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. See note 17 for further information.

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

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

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical machinery & equipment	generally 10 years
Furniture & office equipment	generally 5 years

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

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

Income taxes — The Siemens Group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of 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, Siemens believes it is probable the Company will realise the benefits of these deductible differences. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

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

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

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

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

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 27.

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

Financial instruments — A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL (i)It is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets.

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

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

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). Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

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. For a hedge of a forecast transaction that subsequently results in the recognition of a non-financial item, the associated gains or losses that were recognised in OCI are removed and included in the initial cost or other carrying amount of the non-financial item.

Leases

Leases in which the Company is the lessee — The Company has changed its accounting policy for leases where the Company is a lessee. The new policy is described in note 20 and the impact of the change in note 36.

Until 30 September 2019, leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to the Statement of Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the Statement of Income on a straight-line basis over the period of the lease.

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

Under operating leases, the asset leased out appears in property, plant and equipment and lease income is credited to the Statement of Income on a straight-line basis over the lease term. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Pension costs and other post-retirement benefits

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

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

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

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

Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rates of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available discount rates are based on government bonds yields. Due to changing market, economic and social conditions the underlying key assumptions may differ from actual developments. For a discussion of the current funded status see note 26.

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

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

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

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

Residual values — Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions. Residual values are set at the commencement of the lease based upon management's expectation of future sale proceeds. During the course of the lease, residual values are monitored so as to identify any impairment required. The monitoring takes account of the Company's past history for residual values and projections of the likely future market for each group of assets. Any permanent impairment in the residual value of each group of assets is immediately charged to the Statement of Comprehensive Income.

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

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognise right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Siemens adopted the standard for the fiscal year beginning as of October 1, 2019, by applying the modified retrospective approach. By applying IFRS 16, straight-line operating lease expense has been replaced by depreciation expense on right-of-use assets and interest expense on lease liabilities. This resulted in a deterioration in cash flows from financing activities and an improvement in cash flows from operating activities.

See note 36 for details on the impact to the financial statements of applying IFRS 16.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The interpretation, effective for years beginning after January 1, 2019, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. There was no significant impact on the financial statements of applying this amendment.

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

The amendments effective for years beginning after 1 January 2019, address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. There was no significant impact on the financial statements of applying this amendment.

Prepayment Features with Negative Compensation - Amendments to IFRS 9

The amendments to IFRS 9, effective for annual periods beginning on or after 1 January 2019, clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. There was no significant impact on the financial statements of applying this amendment.

New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2020, and have not been applied in preparing these financial statements. Those standards that have relevance to the Company are mentioned below:

Amendments to IAS 1 and IAS 8, Definition of Material

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

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

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business, as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The Company currently has no joint ventures or associates, therefore there is no impact expected.

Amendments to IFRS 3, Definition of a Business

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

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

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Statement of Income. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The Company is currently assessing the impact of this amendment.

Revised Conceptual Framework for Financial Reporting

The IASB issued a revised Conceptual Framework which will be used in standard-setting decisions for annual periods beginning on or after 1 January 2020. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, the entity will assess if the accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. The entity will consider whether the accounting policies are still appropriate under the revised Framework. The Company is currently assessing the impact of this amendment.

COVID-19-related Rent Concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in the Statement of Income arising from the rent concessions. The Company did not receive any such concessions related to Covid-19 in the year ended September 30, 2020.

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

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023. The Company is currently assessing the impact of this amendment.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PPE), effective for annual periods beginning on or after 1 January 2022, prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The Company is currently assessing the impact of this amendment.

Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 January 2022, to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The Company is currently assessing the impact of this amendment.

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

3. Acquisitions

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

Acquisitions in the previous year

Trade and asset acquisitions of group companies

The Company acquired the trade and assets of the following group companies during the financial year ending September 30, 2019:

Name of company acquired from	Date of acquisition	Division
MRX Technologies Limited	June 1, 2019	Mobility

The rail monitoring systems business of MRX Technologies Limited was integrated into the business of the Company.

The total net assets acquired were:

	Year ended September 30, 2019
Trade and other receivables	2,145
Other current financial assets	7
Inventories	810
Contract assets	1,031
Corporation tax receivable	322
Deferred Tax Asset	129
Other current assets	273
Other intangible assets	285
Property, plant and equipment	307
	5,309
Trade payables	75
Current provisions	275
Other current liabilities	740
Provisions	293
Other non-current liabilities	4
	1,387
Net identifiable assets	3,923
Goodwill on acquisition	2,598
Consideration	6,521

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

Goodwill was recognised as a result of the acquisition of the trade and assets from MRX Technologies Limited as follows:

	2019
Consideration transferred	6,521
Less fair values of identifiable assets	(3,923)
Goodwill on acquisition	2,598

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

The results of the acquired operations, in the year of acquisition, since the date of the acquisition are as follows:

	Year ended September 30, 2019
Revenue	797
Operating loss	(748)

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 is as follows:

	Year ended September 30, 2019
Revenue	3,868
Operating loss	(1,047)

The Company incurred acquisition-related costs of £nil relating to external legal fees and due diligence costs.

4. Litigation settlement

During the year ended September 30, 2020 the Company received settlement of a claim for an historical overseas signalling project in Taiwan, after the arbitration awarded in favour of the Company. This transaction is an exceptional item in the financial statements with impact to revenue of £35.2m and impact to gross profit of £33.7m.

5. Revenue

Revenue is earned from the business category of mobility.

Timing of revenue recognition

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

	2020		2019	
	Within one year	**More than one year**	Within one year	More than one year
Mobility	**703,056**	**3,295,491**	714,436	3,273,289

Contract Balances

	Year ended September 30, 2020	Year ended September 30, 2019
Trade receivables	**74,223**	74,458
Contract assets	**97,823**	78,557
Contract liabilities	**(268,746)**	(236,592)

Contract liabilities include refund liabilities of £995k (2019:nil), which are expected to be settled after more than 12 months from the balance sheet date, these are therefore presented under *Non-current liabilities* in the statement of financial position.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Also refer to note 12.

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

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2020 and 2019 (in thousands of £)

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

	Year ended September 30, 2020	2019
Net foreign exchange (gains)/losses	**(62)**	1,322
Research and development costs	**12,838**	14,544
Depreciation of property, plant and equipment	**6,366**	6,453
Amortisation of intangible assets	**1,177**	1,164
Depreciation of right-of-use assets	**11,243**	-
Impairment of property, plant and equipment and other intangible assets	**12**	4
Staff costs (see note 8)	**275,420**	273,838
Research and Development Tax Credit	**(162)**	(530)
Grants received	**(2,467)**	(951)
Auditor's remuneration: - audit of financial statements	**324**	357

Amounts payable to Ernst & Young LLP and its associates by the Company in respect of non-audit services were £29k (2019: £14k).

7. Other operating expense

	Year ended September 30, 2020	2019
Loss on disposal of property, plant and equipment and intangibles	**(113)**	(39)
Other	**(25)**	(270)
	(138)	(309)

8. Staff numbers and costs

	Year ended September 30, 2020	2019
Wages and salaries	**221,884**	227,848
Social security costs	**23,686**	23,544
Expenses relating to pension plans and employee benefits	**23,891**	22,446
	269,461	273,838

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

The average number of employees (including executive directors) during 2020 and 2019 was 4,016 and 3,941, respectively (based on continuing operations). Part-time employees are included on a proportionate basis rather than being counted as full units. The employees were engaged in the following activities:

	Year ended September 30, 2020 Number	2019 Number
Manufacturing and services	**3,559**	3,422
Sales and marketing	**308**	368
Research and development	**149**	151
	4,016	3,941

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

9. Directors' emoluments

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

	Year ended September 30, 2020	2019
Emoluments receivable	**1,733**	1,771
Employer contributions to money purchase schemes	**17**	7
Compensation for loss of office	**1,771**	901
	3,521	2,679

Three of the Company's directors are remunerated by the Company. Two of the Company's directors were employees of fellow subsidiary companies and were remunerated by Siemens Plc. The directors did not believe it is practical to apportion their qualifying services between their service as a director of the Company and their service as a director and employee of fellow subsidiary companies.

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £2,489k (2019: £1,284k). Two of the directors are members of the defined contributions scheme. Two directors are deferred members of a defined benefit scheme. The accrued annual pension benefit of the highest paid director at the year-end was £nil (2019: 58k), and the accrued lump sum was £nil (2019: £nil). Share-based payments are described in note 2. Three of the directors have qualifying services shares receivable from a long-term incentive scheme.

10. Interest income and interest expense

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

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

	Year ended September 30, 2020	2019
Interest income	**3,415**	3,373
Interest income - negative income on financial assets	**(27)**	(5)
Interest income, net	**3,388**	3,368
Interest expense	**(588)**	(291)
Interest expense, net	**(588)**	(291)
Interest income from pension plans and similar commitments	**7,511**	10,494
Interest expense from pension plans and similar commitments	**(8,563)**	(11,265)
Interest expense from pension plans and similar commitments	**(1,052)**	(771)
Thereof: Interest income of operations, net	**2,721**	2,476
Thereof: Other interest income, net	**79**	601

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

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

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

11. Taxes

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

	Year ended September 30, 2020	2019
Current tax:		
UK corporation tax	**26,854**	28,475
Adjustments for prior years	**(315)**	61
	26,539	28,536
Deferred tax:		
Origination and reversal of temporary differences - current year	701	1,104
Origination and reversal of temporary differences - prior years	106	(48)
Deferred tax rate change adjustment	(388)	-
	419	1,056
Tax expense	**26,958**	29,592

Of the deferred tax expense in 2020 and the deferred tax expense in 2019, £419k and £1,056k respectively, relate to the origination and reversal of temporary differences.

For both years ended September 30, 2020 and 2019, the Company was subject to UK corporation tax at a rate of 19%. The total tax expense differs from the amounts computed by applying the statutory UK tax rate as follows:

	Year ended September 30, 2020	2019
Net income before tax (continuing operations)	**143,927**	150,578
Tax at 19% (2019: 19%)	**27,346**	28,610
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	**291**	1,157
Research and Development tax credit	-	(58)
Under/(over) provided in prior years – deferred tax	**106**	(48)
(Over)/under provided in prior years – current tax	**(315)**	61
Deferred tax rate change adjustment	**(388)**	-
Rate change adjustment difference between Corporation Tax and Deferred Tax rate	**(82)**	(130)
Total income tax expense for the year	**26,958**	29,592

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

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

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

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

		September 30,
	2020	2019
Assets:		
Pension plans and similar commitments	**12,649**	9,688
Other liabilities	**375**	510
Deferred tax assets	**13,024**	10,198
Liabilities:		
Property, plant and equipment	**(5,075)**	(3,608)
Other intangible assets	**(229)**	(205)
Deferred tax liabilities	**(5,304)**	(3,813)
Total deferred tax assets, net	**7,720**	6,385

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

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

		September 30,
	2020	2019
Deferred tax asset balance as at 1 October	**6,385**	2,590
Income tax presented in the Statement of Income	**(419)**	(1,056)
Changes in items of the Statement of Comprehensive Income	**1,754**	4,722
Additions from acquisitions not impacting net income (if any)	**-**	129
Deferred tax asset balance as at 30 September	**7,720**	6,385

12. Trade and other receivables

		September 30,
	2020	2019
Trade receivables from the sale of goods and services	**74,223**	74,458
Receivables from group companies	**250,448**	138,699
Receivables from finance leases	**908**	1,222
	325,579	214,379

Receivables from group companies include £210m (2019: £105m) of cash on deposit with fellow subsidiary company Siemens Financial Services.

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

	Year ended September 30,	
	2020	2019
Valuation allowance as of beginning of fiscal year	**350**	301
Creation	**-**	49
Reversal	**(40)**	-
Valuation allowance as of fiscal year-end	**310**	350

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

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

	Gross 2020	September 30, Allowance 2020	Gross 2019	September 30, Allowance 2019
Current	**71,393**	**(93)**	68,419	(45)
30 days overdue	**2,341**	**(2)**	3,450	(4)
31 - 60 days overdue	**443**	**(109)**	1,444	-
61 - 90 days overdue	**138**	**(4)**	671	(92)
91+ days overdue	**218**	**(102)**	824	(209)
	74,533	**(310)**	74,808	(350)

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

	2020	September 30, 2019
Receivables from finance leases, current	**908**	1,222
Receivables from finance leases, long-term portion (see note 22)	**47,440**	44,951
	48,348	46,173
Thereof: Land and buildings	**47,409**	44,559
Thereof: Technical machinery & equipment	**939**	1,614

Land and buildings includes the unguaranteed residual value of £121,386k (2019: £121,386k) and unearned finance income of £73,977 (2019: £76,827k) related to the Thameslink Depots.

Minimum future lease payments to be received are as follows:

Year	
2021	**150**
2022	**184**
2023	**184**
2024	**184**
2025	**184**
Thereafter	**64**
Minimum future lease payments	**950**

The following table shows a reconciliation of minimum future lease payments to the gross and net investment in lease payments receivable:

	2020	September 30, 2019
Minimum future lease payments	**950**	1,624
Plus: Unguaranteed residual value	**121,386**	121,386
Gross investment in leases	**122,336**	123,010
Less: Unearned finance income	**(73,977)**	(76,827)
Net investment in leases	**48,359**	46,183
Less: Allowance for doubtful debts	**(11)**	(10)
Present value of minimum lease payments receivable	**48,348**	46,173

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

The gross investment in leases and the present value of minimum future lease payments receivable are due as follows:

		September 30,
	2020	2019
Gross investment in leases	**122,336**	123,010
Within one year	***150***	*676*
One to five years	***736***	*900*
Thereafter	***121,450***	*121,434*
Present value of minimum lease payments receivable	**48,348**	46,173
Within one year	***908***	*627*
One to five years	-	*806*
Thereafter	***47,440***	*44,740*

13. Other current financial assets

		September 30,
	2020	2019
Derivative financial instruments	**22,509**	23,701
Other current financial assets	**1,193**	471
	23,702	24,172

14. Contract assets and liabilities

		September 30,
	2020	2019
Contract assets		
Contract assets (net of allowances) as at year end	**97,823**	78,557
Contract asset expected to be settled outside the normal cycle as at year end	**71**	-
Significant changes in contract assets from business combination during the year	-	1,031
Decrease/(increase) in contract asset value in the year due to impairment with income statement impact	**2**	(89)

		September 30,
	2020	2019
Contract liabilities		
Contract liabilities as at year end		
Current	**267,751**	236,592
Non-Current	**995**	-
Contract liabilities as at year end	**268,746**	236,592
Contract liability expected to be settled outside the normal cycle as at year end	**161,732**	32,894
Revenue in the year which was included in contract liabilities at the beginning of the financial year	**168,112**	203,911
Revenue in the year relating to performance obligations satisfied in previous periods	**2**	1

15. Inventories

		September 30,
	2020	2019
Raw materials and supplies	**19,905**	19,195
Work in progress	**1,619**	830
Costs on uncompleted contracts	**15,965**	17,142
Finished goods and products held for resale	**77,924**	67,325
Advances for inventories	**53**	70
	115,466	104,561

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

Cost of sales include inventories recognised as an expense amounting to £703m and £1,123m, respectively, in fiscal year 2020 and 2019.

Costs on uncompleted contracts relates to costs of unbilled performance obligations on contracts which are accounted for using the contract completion method resulting in all billing only on completion of the contract.

16. Other current assets

		September 30,
	2020	2019
Prepaid expenses	**5,120**	3,808
Other	**510**	268
	5,630	4,076

17. Goodwill

		September 30,
	2020	2019
Cost		
Balance at start of year	780,698	778,101
Acquisitions through business combinations (see note 3)	-	2,598
Balance at end of year	780,698	780,698
Accumulated impairment losses		
Balance at beginning of year	-	-
Balance at end of year	-	-
Net book value		
Balance at start of year	780,698	778,101
Balance at end of year	**780,698**	780,698

Impairment of Goodwill

The impairment review process is detailed below. For further information on acquisitions, disposals and discontinued operations see note 3.

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 amount for the annual impairment test 2020 was estimated to be higher than the carrying amount. Key assumptions on which management has based its determinations of the value in use carrying amount include a terminal value growth rate of 1.5% and an after-tax discount rate of 5.5%. Where possible, reference to market prices is made.

For the purpose of estimating the recoverable amount, net income for the cash generating unit is used as an approximation for cash flow. Average net income for the last 3 years and next 1 year is assessed based on actual operating results and financial forecasts respectively. This average is then extrapolated using the growth rate. Projections consider past experience and represent management's best estimate about future developments.

The value in use is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Discount rates reflect the current market assessment of the risks specific to the Company and are based on the weighted average cost of capital. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

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

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2020 and 2019 (in thousands of £)

18. Other intangible assets

	Software	Patents, licenses & similar rights	Combined Projects	Total
Cost				
At October 1, 2018	1,878	1,099	-	2,977
Additions	384	-	1,391	1,775
Retirements	(11)	-	-	(11)
Acquisition of Business Operations	-	285	-	285
At September 30, 2019	2,251	1,384	1,391	5,026
Additions	-	-	**2,905**	**2,905**
At September 30, 2020	**2,251**	**1,384**	**4,296**	**7,931**
Amortisation				
At October 1, 2018	687	176		863
Charge for the year	605	558	-	1,163
Retirements	(11)	-	-	(11)
At September 30, 2019	1,281	734	-	2,015
Charge for the year	**689**	**488**	-	**1,177**
Impairment	**8**	-	-	**8**
At September 30, 2020	**1,978**	**1,222**	-	**3,200**
Net book value				
At October 1, 2018	1,191	923	-	2,114
At September 30, 2019 and October 1, 2019	970	650	1,391	3,011
At September 30, 2020	**273**	**162**	**4,296**	**4,731**

Amortisation expense on intangible assets is included in *General administrative expenses*, depending on the use of the asset.

Combined Projects includes capitalisable research and development not yet realising economic benefit.

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

19. Property, plant and equipment

	Land & buildings	Technical machinery & equipment	Furniture & office equipment	Construction in progress	Total
Cost					
At October 1, 2018	43,852	16,710	9,806	3,936	74,304
Additions	-	393	778	9,035	10,206
Disposals	(65)	(209)	(30)	-	(304)
Acquisition of Business Operations	32	268	7	-	307
Reclassification of asset	6,625	2,169	-	(8,794)	-
At September 30, 2019	50,444	19,331	10,561	4,177	84,513
At October 1, 2019	**50,444**	**19,331**	**10,561**	**4,177**	**84,513**
Additions	**234**	**1,523**	**115**	**5,573**	**7,445**
Disposals	**(28)**	**(256)**	**(683)**	**-**	**(967)**
Reclassification of asset	**-**	**892**	**955**	**(1,847)**	**-**
At September 30, 2020	**50,650**	**21,490**	**10,948**	**7,903**	**90,991**
Accumulated depreciation and impairment					
At October 1, 2018	1,462	8,580	7,206	-	17,248
Charge for the year	3,460	2,153	840	-	6,453
Disposals	(65)	(209)	(30)	-	(304)
Impairment	-	3	1	-	4
At September 30, 2019	4,857	10,527	8,017	-	23,401
At October 1, 2019	**4,857**	**10,527**	**8,017**	**-**	**23,401**
Charge for the year	**3,304**	**2,103**	**959**	**-**	**6,366**
Disposals	**(28)**	**(58)**	**(683)**	**-**	**(769)**
Impairment	**-**	**4**	**-**	**-**	**4**
At September 30, 2020	**8,133**	**12,576**	**8,293**	**-**	**29,002**
Net book value					
At October 1, 2018	42,390	8,130	2,600	3,936	57,056
At September 30, 2019 and October 1, 2019	45,587	8,804	2,544	4,177	61,112
At September 30, 2020	**42,517**	**8,914**	**2,655**	**7,903**	**61,989**

As of September 30, 2020 contractual commitments for the purchase of plant, property and equipment amount to £0.26m (2019: £0.73m).

During the year ended September 30, 2020 consideration of £85k (2019: £nil) was received with respect to property, plant and equipment disposals within the year.

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

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

	September 30, 2020	2019
Not later than one year	**9,000**	8,478
Later than one year and not later than five years	**19,200**	23,094
Later than five years	**5,700**	9,500
	33,900	41,072

Payments from lessees under operating leases primarily relate to depot leases with the Train Operating Companies.

20. Leases

This note provides information for leases where the Company is a lessee. For leases where the Company is a lessor, see note 12.

The Company adopted IFRS 16 in the year ended September 30, 2020. Comparative figures in this note relate to the transition adjustment as at October 1, 2019. For further details on the transition adjustment see note 36.

(i) Amounts recognised in the financial statements

	Land & buildings	Moveable machinery	Vehicles	Total
Right-of-use assets				
Cost				
At October 1, 2019	29,030	44	6,577	35,651
Additions	**8,702**	**516**	**4,065**	**13,283**
Disposals	**(996)**	**(11)**	**(516)**	**(1,523)**
At September 30, 2020	**36,736**	**549**	**10,126**	**47,411**
Accumulated depreciation				
At October 1, 2019	-	-	-	-
Charge for the year	6,940	128	4,175	11,243
Disposals	-	-	(78)	(78)
At September 30, 2020	**6,940**	**128**	**4,097**	**11,165**
Net book value				
At October 1, 2019	29,030	44	6,577	35,651
At September 30, 2020	**29,796**	**421**	**6,029**	**36,246**

Disposals recorded during the year relate mainly to reassessments of estimation of the lease term.

Total

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

	Land & buildings	Moveable machinery	Furniture & office equipment	
Lease liabilities				
At October 1, 2019	29,896	43	6,577	36,516
Additions	**9,612**	**516**	**4,065**	**14,193**
Interest	**389**	**5**	**78**	**472**
Cash Outflow	**(7,871)**	**(185)**	**(4,225)**	**(12,281)**
Disposals	**(995)**	**(11)**	**(438)**	**(1,444)**
At September 30, 2020	**31,031**	**368**	**6,057**	**37,456**

Lease liabilities related to leases are split between current and non-current:

	September 30, 2020	October 1, 2019
Lease liabilities		
Current	**9,583**	10,112
Non-current	**27,873**	26,404
	37,456	36,516

The Statement of Income shows the following amounts relating to short-term and low-value leases:

	2020	September 30, 2019
Expense relating to short-term leases (included in administrative expenses/cost of sales)	**3,439**	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses/cost of sales)	**26**	-

The total cash outflow for leases in the fiscal year 2020 was £15,746k, of which £3,465k relates to short-term and low-value leases, £11,809k relates to principal repayments of lease liabilities and £472k relates to interest paid on lease liabilities.

Minimum future lease payments to be paid are as follows:

Year	
2021	**10,032**
2022	**9,910**
2023	**5,394**
2024	**4,025**
2025	**6,548**
Thereafter	**2,626**
Minimum future lease payments	**38,535**

(ii) The Company's leasing activities and how these are accounted for

The Company leases various land and buildings, machinery and vehicles. Rental contracts are typically made for periods of 0 to 25 years but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Some lease agreements contain restrictions on the type of use of the asset, in some cases performance of specific work on the leased land is required under the lease contract. The lease agreements do not impose any other terms or covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 36 for details. From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Lease payments are allocated between principal and finance cost. The finance cost is charged to the Statement of Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The incremental borrowing rate is calculated based on the information provided by Siemens Financial Services (risk free rate plus risk premium which both correspond to the lease term) for the day the valuation is effective.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the Statement of Income. Short-term leases are leases with a term of 12 months or less without a purchase option. Low-value assets comprise moveable machinery such as vending machines, water coolers and forklift trucks.

(iii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These are assessed by management on the basis of probability as to whether they will be exercised or not. Where they are reasonably certain to be exercised for extension options and not exercised for termination options the lease term and valuation are adjusted accordingly.

(iv) Critical judgements in accounting for leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. 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).

One contract contains a bargain purchase option. When recognising this lease agreement, management exercises judgement when considering the timing and value of the bargain purchase option.

21. Investments

	Shares in subsidiary undertakings
Cost	
At October 1, 2018	5,034
At September 30, 2019 and October 1, 2019	5,034
At September 30, 2020	**5,034**
Impairment	
At October 1, 2018	-
Impairment as a result of integration	(5,034)
At September 30, 2019 and October 1, 2019	(5,034)
At September 30, 2020	**5,034**
Net book value	
At October 1, 2018	5,034
At September 30, 2019 and October 1, 2019	-
At September 30, 2020	-

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In 2018 the Company acquired MRX Technologies Limited for £5.0 million. On 1 June 2019, the business of MRX Technologies Limited was integrated into the business of the Company resulting in a full impairment of the investment in 2019.

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

Company:	**Proportion of ordinary equity and voting rights held**	**Nature of business**	**Place of business**
Siemens Rail Automation Limited	100%	Dormant	Euston House, Eversholt Street, London, England, NW1 1AD
MRX Technologies Limited	100%	Dormant	Euston House, Eversholt Street, London, England, NW1 1AD

Siemens Rail Automation Limited acts as an agent for Siemens Mobility Limited.

Siemens Rail Automation Limited (as an agent for the Company) engaged in the business of signalling telecommunications and other systems and equipment for the operation, control, protection, supervision and management of or use of or in connection with railways, railway trains, locomotives and rolling stock road and other vehicles and mobile machinery.

The business of MRX Technologies Limited was integrated into Siemens Mobility Limited during the previous year.

22. Other financial assets

		September 30,
	2020	2019
Receivables from finance leases	**47,440**	44,951
	47,440	44,951

23. Other current financial liabilities

		September 30,
	2020	2019
Derivative financial instruments	**429**	1,005
Other financial liabilities	**284**	459
	713	1,464

24. Trade and other payables

		September 30,
	2020	2019
Trade payables	**79,290**	84,281
Amounts due to group companies	**1,952**	1,079
	81,242	85,360

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

25. Other current liabilities

		September 30,
	2020	2019
Payroll and social security taxes	**8,700**	8,830
Bonus obligations	**11,651**	18,782
Other employee related costs	**6,047**	4,285
Other tax liabilities	**31,694**	12,728
Deferred income	**660**	770
Other accrued liabilities	**46,027**	42,777
	104,779	88,173

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

26. Post-employment benefits

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

Defined contribution plan

The Company participates in a defined contribution pension plan. The pension cost charge for the year represents contributions payable by the Company to the Scheme and amounted to £17,865k (2019: £16,951k).

Railways Pension Scheme
Westinghouse Rail Systems shared cost section

Defined benefit plan

The Railways Pension Scheme is a defined benefit scheme with assets held in separate trustee administrated funds. The Company has its own section within the Scheme, "Westinghouse Rail Systems shared cost section" ("Scheme"). 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 the principal and only participating employer in this Scheme, which provides benefits based on final pensionable pay.

Movement in net amount recognised:

		September 30,
	2020	2019
Net amount recognised of the Scheme at beginning of year	**(66,079)**	(30,610)
Current service cost	**(5,398)**	(4,217)
Past service cost	**-**	(500)
Other finance cost	**(1,248)**	(840)
Contributions paid	**5,329**	5,378
Remeasurements included in Statement of Comprehensive Income	**(6,399)**	(35,290)
Net amount recognised of the Scheme at end of year	**(73,795)**	(66,079)

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

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

The Scheme covers 892 participants, including 217 active employees, 377 former employees with vested benefits and 298 retirees and surviving dependents.

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

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

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

Reconciliation of funded status to Statement of Financial Position:

		September 30,
	2020	2019
Fair value of Scheme assets	**250,631**	239,968
Present value of funded defined benefit obligations	**(324,426)**	(306,047)
Deficit recognised in the Statement of Financial Position	**(73,795)**	(66,079)

Defined benefit costs are as follows:

	Year ended September 30,	
	2020	2019
Past service cost	-	500
Current service cost	**5,398**	4,217
Interest expense	**5,996**	7,362
Interest income	**(4,748)**	(6,522)
Components of defined benefit cost recognised in the Statement of Income	**6,646**	5,557
Return on Scheme assets (excluding amounts included in interest expense and interest income)	**(4,996)**	(8,559)
Remeasurement losses	**11,395**	43,849
Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income	**6,399**	35,290
Defined benefit costs	**13,045**	40,847

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

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

		September 30,
	2020	2019
Defined benefit obligation at beginning of year	**306,047**	253,214
Current service cost	**5,398**	4,217
Interest expense	**5,996**	7,362
Remeasurements:		
Remeasurement losses/(gains) from changes in demographic assumptions	**1,086**	(6,568)
Remeasurement losses from changes in financial assumptions	**16,308**	50,437
Experience gains	**(5,999)**	(20)
Scheme participants' contributions	**1,960**	2,261
Benefits paid	**(6,370)**	(5,356)
Past service cost	-	500
Defined benefit obligation at end of year	**324,426**	306,047

The total DBO at the end of the year 2020 includes £141,892k for active employees (2019: £154,633k), £56,975k for former employees with vested benefits (2019: £55,508k) and £125,559k for retirees and surviving dependents (2019: £95,906k).

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

The weighted average duration of the DBO was 20.8 years (2019: 21.9 years).

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

		September 30,
	2020	2019
Fair value of Scheme assets at beginning of year	**239,968**	222,604
Interest income	**4,748**	6,522
Remeasurements:		
Return on Scheme assets excluding amounts included in interest income and interest expense	**4,996**	8,559
Employer contributions	**5,329**	5,378
Scheme participants' contributions	**1,960**	2,261
Benefits paid	**(6,370)**	(5,356)
Fair value of Scheme assets at end of year	**250,631**	239,968

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. There were no such event after the fiscal year end.

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

Main financial assumptions:

	Year ended September 30,	
	2020	2019
	% p.a.	% p.a.
Inflation (RPI)	2.80	3.00
Inflation (CPI)	2.10	2.00
Rate of general long-term increase in salaries	2.60	3.50
Rate of increase to pensions in payment		
- inflation capped at 5% (RPI)	2.70	2.90
- inflation capped at 3% (RPI)	2.30	2.40
- inflation capped at 5% (CPI)	2.10	2.00
- inflation with a floor of 3% and a cap of 5% (RPI)	3.50	3.50
Discount rate for Scheme liabilities	1.65	1.97

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS tables scaled by factors of between 89% to 131 (2019: between 89% to 131%) for males and 106% to 133% (2019: 106% to 133%) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2019 (2019: CMI2018) projections with a long term rate of improvement of 1.25% p.a (2019: 1.25%).

Sensitivity analysis:

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

	Effect on DBO as of September 30, 2020 due to	
	One-half % Increase	**One-half % Decrease**
Discount rate	(31,923)	35,079
Rate of compensation increase	5,989	(5,771)
Rate of pension progression	33,168	(30,773)

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2020 and 2019 (in thousands of £)

In order to determine the longevity risk the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £9,939 as of September 30, 2020. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male employee aged 55 years as of September 30, 2020, increases by 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.

Disaggregation of Scheme assets:

The asset allocation of the Scheme is as follows:

	September 30, 2020			September 30, 2019		
Asset Class	**Quoted market price in active market**	**No quoted market price in active market**	**Total**	Quoted market price in active market	No quoted market price in active market	Total
Fixed income securities:						
Government bonds	**53,513**	**-**	**53,513**	56,213	-	56,213
Corporate bonds	**-**	**-**	**-**	23,446	-	23,446
	53,513	**-**	**53,513**	79,659	-	79,659
Alternative investments:						
Private Equity	**-**	**20,213**	**20,213**	-	22,430	22,430
Real estate	**-**	**2,464**	**2,464**	-	3,074	3,074
	-	**22,677**	**22,677**	-	25,504	25,504
Multi strategy funds	**138,026**	**-**	**138,026**	134,476	-	134,476
Cash and other assets	**1,716**	**34,699**	**36,415**	329	-	329
Total	**193,255**	**57,376**	**250,631**	214,464	25,504	239,968

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 considering the Scheme's liabilities, the strength of the funding position and the trustee's appetite to risk, after taking appropriate investment advice. The trustee has allocated the Scheme's assets to a mix of pooled funds operated by RPMI on behalf of the trustee; these funds offer diversification by region and asset class and are regularly reviewed by the trustee.

Future cash flows:

Employer contributions expected to be paid to the Scheme in 2021 are £5,374k and employer deficit funding contributions expected to be paid to the Scheme in 2021 are £2,559k.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2020 and 2019 (in thousands of £)

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

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

The effective date of the most recent triennial valuation for the Scheme was December 31, 2019.

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

Expected pension benefit payments:

	Year ended September 30,
2021	6,077
2022	6,198
2023	6,321
2024	6,447
2025	6,575
2026-2030	34,894

Railways Pension Scheme
Siemens shared cost section

Defined benefit plan

The Railways Pension Scheme is a defined benefit scheme with assets held in separate trustee administrated funds. The Company has its own section within the scheme, ''Siemens shared cost section'' (''Scheme''). 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 the principal and only participating employer in this Scheme, which provides benefits based on final pensionable pay.

Movement in net amount recognised:	**September 30, 2020**	September 30, 2019
Net amount recognised of the Scheme at beginning of year	**(5,620)**	(2,806)
Current service cost	**(628)**	(648)
Other finance cost	**(105)**	(77)
Contributions paid	**587**	459
Remeasurements included in Statement of Comprehensive Income	**1,758**	(2,548)
Net amount recognised of the Scheme at end of year	**(4,008)**	(5,620)

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

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

The Scheme covers 89 participants, including 37 active employees, 34 former employees with vested benefits and 18 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, 2020. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

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

The Scheme is closed to new entrants.

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

Reconciliation of funded status to Statement of Financial Position:

	September 30, 2020	September 30, 2019
Fair value of Scheme assets	**13,748**	13,352
Present value of funded defined benefit obligations	**(17,756)**	(18,972)
Deficit recognised in the Statement of Financial Position	**(4,008)**	(5,620)

Defined benefit costs are as follows:

	Year ended September 30, 2020	Year ended September 30, 2019
Current service cost	**628**	648
Interest expense	**375**	445
Interest income	**(270)**	(368)
Components of defined benefit cost recognised in the Statement of Income	**733**	725
Return on Scheme assets (excluding amounts included in net interest expense and net interest income)	**(274)**	(126)
Remeasurement (gains) and losses	**(1,484)**	2,674
Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income	**(1,758)**	2,548
Defined benefit (income)/costs	**(1,025)**	3,273

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

	September 30, 2020	September 30, 2019
Defined benefit obligation at beginning of year	**18,972**	15,115
Current service cost	**628**	648
Interest expense	**375**	445
Remeasurements:		
Remeasurement losses/(gains) from changes in demographic assumptions	**71**	(414)
Remeasurement losses from changes in financial assumptions	**1,030**	3,286
Experience gains	**(2,585)**	(198)
Scheme participants' contributions	**196**	177
Benefits paid	**(931)**	(87)
Defined benefit obligation at end of year	**17,756**	18,972

The total DBO at the end of the year 2020 includes £8,315k (2019: £13,866k) for active employees, £6,526k (2019: £3,309k) for former employees with vested benefit and £2,915k (2019: £1,797k) for retirees and surviving dependents.

The weighted average duration of the DBO was 20.9 years (2019: 23.2 years).

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

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

	September 30, 2020	September 30, 2019
Fair value of Scheme assets at beginning of year	**13,352**	12,309
Interest income	**270**	368
Remeasurements:		
Return on Scheme assets excluding amounts included in interest income and interest expense	**274**	126
Employer contributions	**587**	459
Scheme participants' contributions	**196**	177
Benefits paid	**(931)**	(87)
Fair value of Scheme assets at end of year	**13,748**	13,352

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. There was no such event after the fiscal year end.

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

Main financial assumptions:

	Year ended September 30, 2020	Year ended September 30, 2019
	% p.a.	% p.a.
Inflation (RPI)	**2.80**	3.00
Inflation (CPI)	**2.10**	2.00
Rate of general long-term increase in salaries	**2.60**	3.50
Rate of increase to pensions in payment		
- inflation capped at 5% (RPI)	**2.70**	2.90
- inflation capped at 3% (RPI)	**2.30**	2.40
- inflation capped at 5% (CPI)	**2.10**	2.00
- inflation with a floor of 3% and a cap of 5% (RPI)	**3.50**	3.50
Discount rate for Scheme liabilities	**1.65**	1.97

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the SAPS tables scaled by a factor of 89% to 131% (2019: 89% to 131%) for males and 106% to 133% (2019: 106% to 133%) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2019 (2019: CMI2018) projections with a long term rate of improvement of 1.25% (2019: 1.25%) p.a.

Sensitivity analysis:

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

	Effect on DBO as of September 30, 2020 due to	
	One-half % Increase	**One-half % Decrease**
Discount rate	(1,813)	1,928
Rate of compensation increase	223	(218)
Rate of pension progression	1,913	(1,766)

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2020 and 2019 (in thousands of £)

In order to determine the longevity risk the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £557k as of September 30, 2020. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male employee aged 55 years as of September 30, 2020, increases by 1.0 years.

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

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

Disaggregation of Scheme assets:

The asset allocation of the Scheme is as follows:

	September 30, 2020			September 30, 2019		
Asset Class	**Quoted market price in active market**	**No quoted market price in active market**	**Total**	Quoted market price in active market	No quoted market price in active market	Total
Fixed income securities:						
Government bonds	**1,558**	**-**	**1,558**	1,553	-	1,553
Corporate bonds	**-**	**-**	**-**	204	-	204
	1,558	**-**	**1,558**	1,757	-	1,757
Alternative investments:						
Private Equity	**-**	**1,023**	**1,023**	-	777	777
	-	**1,023**	**1,023**	-	777	777
Multi strategy funds	**10,404**	**-**	**10,404**	10,776	-	10,776
Cash and other assets	**45**	**718**	**763**	42	-	42
Total	**12,007**	**1,741**	**13,748**	12,575	777	13,352

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 considering the Scheme's liabilities, the strength of the funding position and the trustee's appetite to risk, after taking appropriate investment advice. The trustee has allocated the Scheme's assets to a mix of pooled funds operated by RPMI on behalf of the trustee; the funds offer diversification by region and assets class and are regularly reviewed by the trustee.

Future cash flows:

Employer contributions expected to be paid to the Scheme in 2021 are £590k and employer deficit funding contributions expected to be paid to the Scheme in 2021 are £330k.

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

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

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

The effective date of the most recent triennial valuation for the Scheme was December 31, 2019.

Expected pension benefit payments:

	Year ended September 30,
2021	294
2022	300
2023	306
2024	313
2025	320
2026-2030	1,703

Siemens Benefits Scheme

Defined benefit plan

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

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

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

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

	September 30, 2020	September 30, 2019
Net amount recognised of the Scheme at beginning of year	**14,711**	3,783
Past service cost	**-**	(130)
Other finance income	**301**	147
Remeasurements included in Statement of Comprehensive Income	**(3,783)**	10,911
Company's share of the net amount recognised of the Scheme at end of year	**11,229**	14,711

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2020 and 2019 (in thousands of £)

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

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

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

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

Reconciliation of funded status to Statement of Financial Position:

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

Defined benefit costs are as follows:

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

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

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

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

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

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

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

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

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

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

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

Actuarial assumptions:

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

The assumptions used for the calculation of the DBO as of the period-end of the preceding 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. There were no such events after the fiscal year end.

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

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

Main financial assumptions:

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

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS tables scaled by a factor of 86% (2019: 86%) for males and 91% (2019:91%) for females. In addition, there is an allowance for future longevity improvements in line with the central CM2019 (2019: CMI2018) projections with a long term rate of improvement of 1.25% (2019:1.25%) p.a. The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

Sensitivity analysis:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2020 and 2019 (in thousands of £)

Disaggregation of Scheme assets:

The asset allocation of the Scheme is as follows:

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

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

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

Future cash flows:

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

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

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

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

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

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

Expected pension benefit payments:

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

27. Provisions

Provisions changed during 2020 as follows:

	Warranties	Order related losses and risks	Asset retirement obligations	Real estate provisions	Others	Total
Balance at beginning of year	14,250	3,571	235	5,431	2,882	26,369
Additions	**3,280**	**6,520**	-	-	**679**	**10,479**
Usage	**(6,194)**	**(2,042)**	-	-	-	**(8,236)**
Reversals	**(2,883)**	**(251)**	-	-	**(262)**	**(3,396)**
Balance at end of year	**8,453**	**7,798**	**235**	**5,431**	**3,299**	**25,216**
Current provisions						**15,528**
Non-current provisions						**9,688**

Warranties

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

Order related losses and risks

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

Asset retirement obligation

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

Real estate provisions

Real estate provisions are estimated obligations for the dilapidations for the leased properties.

Other provisions

Other provisions are legal matters and other miscellaneous provisions.

28. Other liabilities

	September 30,	
	2020	2019
Long term service awards	**2,334**	3,067
	2,334	3,067

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

29. Share capital

Allotted, called up and fully paid:	**September 30,**
At 30 September 2019: 2,165,431,948 ordinary shares of £0.25 each	541,358
At 30 September 2020: 2,165,431,948 ordinary shares of £0.25 each	**541,358**

30. Commitments and contingencies

Guarantees and other commitments

On behalf of other Siemens group companies, the Company issued guarantees or indemnified the issuers of performance bonds in respect of contractual obligations totalling £3,307k (2019: £18,234k). These agreements have terms typically ranging between 1 and 8 years.

From 1 October 2019, the Company has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 20 and note 36 for further information.

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

	2019 Total
Within one year	10,523
After one year but not more than five years	17,510
More than five years	9,951

Total operating rental expense for the year ended September 30, 2019 was £12,038k.

31. Share-based Payments

Share-based payments

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. Total pre-tax expense for share-based payment recognised in Siemens Mobility Limited net income for continuing and discontinued operations amounted to £185k and £48k for the year ended September 30, 2020 and 2019 respectively, and refers primarily to equity-settled awards.

Stock awards

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

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

In the year ended September 30, 2020 Siemens AG granted 18,855 (2019: 15,914) stock awards to 185 (2019: 147) UK employees.

Details on stock award activity and weighted average grant-date fair value are summarised in the table below:

	Year ended September 30,		Year ended September 30,	
	Awards	**Weighted average grant-date fair value (€)**	Awards	Weighted average grant-date fair value (€)
	2020	**2020**	2019	2019
Non-vested, beginning of period	**26,942**	**58.67**	20,328	71.18
Granted	**18,855**	**66.60**	15,914	50.89
Vested	**(3,769)**	**61.09**	(3,080)	66.35
Forfeited	**(1,489)**	**36.41**	(6,220)	60.68
Non-vested, end of period	**40,539**	**62.95**	26,942	62.06
Weighted average vesting period remaining in years		**2.366**		2.323

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

Fair value was determined as the market price of Siemens shares less the present value of dividends expected during the four year or three year vesting period. Total fair value of stock awards granted in 2020 and 2019 amounted to €1,255,689 and €809,802 respectively.

Share-matching program and its underlying plan

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

Share - matching plan

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

A UK specific Share Incentive Plan was launched in FY 2019 based on the principles of the Global Share Matching Plan. The new scheme entitles employees in the UK to invest a specified part of their annual gross salary in Siemens shares (investment shares). 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.

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above.

In the year ended September 30, 2020 Siemens AG granted 5,381 (2019: 6,326) shares to 1,045 (2019: 1,290) employees.

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

	Year ended September 30,		**Year ended September 30,**	
	Awards	**Weighted average grant-date fair value (€)**	Awards	Weighted average grant-date fair value (€)
	2020	**2020**	2019	2019
Non-vested, beginning of period	**7,850**	**88.89**	3,773	95.58
Granted	**5,381**	**98.30**	6,326	85.65
Vested	**(1,956)**	**98.06**	(1,498)	92.11
Forfeited	**(651)**	**88.12**	(751)	88.52
Non-vested, end of period	**10,624**	**88.89**	7,850	88.89
Weighted average vesting period remaining in years		**1.096**		1.364

Fair value was determined as the market price of Siemens shares less the present value of expected dividends considering non-vesting conditions. Total fair value of shares granted under the share matching plan in 2020 and 2019 amounted to €529,004 and €541,816 respectively.

Siemens profit sharing

Fostering ownership culture through equity ownership and leadership based on shared values plays an important role in the vision for the Company. 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 income was not financially significant in any of the Siemens UK companies. Total expense for Siemens Profit Sharing recognised in the Company's net income for continuing and discontinued operations amounted to £nil for the year ended September 30, 2020 (2019: £nil). The accrual as at September 30, 2020 was £nil (2019: £nil).

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

32. Additional disclosures on financial instruments

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

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

		September 30,
	2020	2019
Financial assets		
Loans and receivables	**374,212**	259,801
Cash and cash equivalents	**567**	792
Derivatives designated in a hedge accounting relationship	**22,112**	23,062
Derivatives not designated in a hedge accounting relationship	**397**	639
	397,288	284,294
Financial liabilities		
Financial liabilities measured at amortised cost	**118,982**	85,819
Derivatives designated in a hedge accounting relationship	**43**	86
Derivatives not designated in a hedge accounting relationship	**386**	919
	119,411	86,824

The following table presents the maturity analysis of cashflows from non-derivative financial liabilities:

Year	
2021	**91,558**
2022	**9,910**
2023	**5,394**
2024	**4,025**
2025	**6,548**
Thereafter	**2,626**
Minimum future lease payments	**120,061**

The following table presents the maturity analysis of cashflows from derivative financial liabilities:

Year	
2021	**283**
2022	**24**
2023	**108**
2024	**-**
2025	**16**
Thereafter	**-**
Minimum future lease payments	**431**

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

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

				September 30,
	2020		2019	
	Fair value	**Carrying value**	Fair value	Carrying value
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	**567**	**567**	792	792
Trade and other receivables	**325,579**	**325,579**	214,379	214,379
Other current financial assets	**1,193**	**1,193**	471	471
Other assets	**47,440**	**47,440**	44,951	44,951
	374,779	**374,779**	260,593	260,593
Financial liabilities measured at cost or amortised cost				
Trade payables	**81,242**	**81,242**	85,360	85,360
Other current financial liabilities	**284**	**284**	459	459
Lease liabilities	**37,456**	**37,456**	-	-
	118,982	**118,982**	85,819	85,819

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

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

		September 30,
	2020	2019
Financial assets measured at fair value		
Derivative financial instruments	**22,509**	23,701
Not designated in a hedge accounting relationship	***397***	*639*
In connection with cash flow hedges	***22,112***	*23,062*
Financial liabilities measured at fair value		
Derivative financial instruments	**429**	1,005
Not designated in a hedge accounting relationship	***386***	*919*
In connection with fair value hedges	**-**	-
In connection with cash flow hedges	***43***	*86*

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

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

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

The financial assets and financial liabilities measured at fair value are classified as FVTPL other than those in connection with cash flow hedges which are classifies as FVOCI.

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

Fair value hierarchy

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

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

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

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

		September 30,
	2020	2019
Loans and receivables	**36**	15
Derivatives with a hedging relationship	**476**	(322)
Thereof recognised in operating profit	***(147)***	*530*
Thereof recognised in other comprehensive income	***604***	*(852)*
Derivatives without a hedging relationship	**(19)**	(693)
Financial assets/(liabilities) measured at amortised cost	**215**	(184)

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

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

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

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

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:

		2020		2019
	Asset	**Liability**	Asset	Liability
Foreign currency exchange contracts without hedging relationship	**397**	**386**	639	919
Foreign currency exchange contracts in connection with fair value hedges	-	-	-	-
Foreign currency contracts in connection with cash flow hedges	**22,112**	**43**	23,062	86
	22,509	**429**	23,701	1,005

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. 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 U.S dollars and Euros both from Siemens' 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, 2020 and 2019, no balances were reclassified from *Other Comprehensive Income* into net income because the occurrence of the related hedged forecasted transaction was no longer probable.

It is expected that £411k of accumulated gains due to the revaluation of derivative hedging instruments in *Other Comprehensive Income* will be reclassified into *Cost of goods sold and services rendered* in the Statement of Income during the year ended September 30, 2020, when the hedged forecasted foreign-currency denominated sales and purchases occur.

As of September 30, 2020 the maximum length of time over which the Company is hedging its future cash flows associated with foreign currency forecasted transactions is 72 months.

Financial risk management

Interest rate risk

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

The approximate impact on the Statement of Income of a 1% fluctuation in interest rates would be £2,500 in 2020.

Credit risk

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

Concerning trade receivables and other receivables, as well as other receivables included in *Other financial assets* that are neither impaired nor past due, there were no indications as of September 30, 2020, that defaults in payment obligations will occur.

Market risk

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

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

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

Any market sensitive instruments, including equity and interest bearing investments that the Company's pension plans hold are not included in the following quantitative and qualitative disclosure. For additional information see note 26.

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

Equity price risk

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

Foreign currency exchange rate risk

Transaction risk and currency management

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

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

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

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

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

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

As at September 30, 2020	**USD**	**TWD**	**EUR**	**Other**	**Total**
Gross Statement of Financial Position exposure	**(1,091)**	**50**	**(3,328)**	**-**	**(4,369)**
Thereof: Financial asset	**-**	***50***	***1,317***	**-**	***1,367***
Thereof: Financial liabilities	***(1,091)***	**-**	***(4,645)***	**-**	***(5,736)***
Gross exposure from firm commitments and anticipated transactions	**(2,534)**	**190**	**(168,916)**	**(383)**	**(171,643)**
Foreign exchange transaction exposure	**(3,626)**	**240**	**(172,244)**	**(383)**	**(176,012)**
Economically hedged exposure	**2,587**	**(190)**	**172,122**	**383**	**174,901**
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	**(104)**	**5**	**(12)**	**-**	**(111)**

As at September 30, 2019	**USD**	**TWD**	**EUR**	**Other**	**Total**
Gross Statement of Financial Position exposure	**(391)**	**-**	**(750)**	**(62)**	**(1,204)**
Thereof: Financial asset	-	-	-	-	-
Thereof: Financial liabilities	*(391)*	-	*(750)*	*(62)*	*(1,204)*
Gross exposure from firm commitments and anticipated transactions	**(1,113)**	**199**	**(193,693)**	**(3,424)**	**(198,031)**
Foreign exchange transaction exposure	**(1,504)**	**199**	**(194,444)**	**(3,486)**	**(199,235)**
Economically hedged exposure	**1,230**	**(200)**	**201,952**	**5,188**	**208,171**
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(27)	-	751	170	894

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

Liquidity risk

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

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

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

	2021	2022
Non derivative financial liabilities	81,526	-
Obligations under finance leases	-	-
Trade payables	81,242	-
Other financial liabilities	284	-

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

The Company has £1,952k (2019: £1,079k) amounts due to group companies included in trade payables. Historically other group companies have not demanded repayment of these intercompany balances.

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

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

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

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

		September 30,
	2020	2019
Cash and cash equivalents	**567**	792
Receivables from group companies	**249,471**	135,365
Total liquidity	**250,038**	136,157
Lease liabilities	**(37,455)**	-
Total debt	**(37,455)**	-
Net funds	**212,583**	136,357

In addition to the balances above, which are held with Siemens AG in the group cash pooling facility, receivables from Siemens group companies of £977k (2019: £3,334k), amounts due to Siemens group companies of £1,952k (2019: £1,079k) are held outside this facility. Historically other Siemens group companies have not demanded repayment of these intercompany balances.

Capital Management

The Company defines its capital structure as net funds 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, calculated as total current assets divided by total current liabilities, for 2020 was 1.1 (2019: 0.9). The Company also has access to the Siemens AG cash pooling arrangement when necessary.

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

33. Related party transactions

Transactions between the Company and its associates are disclosed below.

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

	Sales of goods		Rental income and other services sold		Purchases of goods		Rental expense and other services purchased		Interest income		Interest expense	
	Year ended 2020	Year ended 2019	**Year ended 2020**	Year ended 2019	**Year ended 2020**	Year ended 2019	**Year ended 2020**	Year ended 2019	**Year ended 2020**	Year ended 2019	**Year ended 2020**	Year ended 2019
Parent company	**16,515**	28,730	**8,346**	2,960	**72,653**	120,538	**1**	1	**-**	-	**-**	-
Other Siemens group companies	**20,251**	26,888	**10,235**	2,770	**229,984**	298,290	**6,667**	26,783	**538**	650	**282**	144

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

	Transfers of research and *development*	
	Year ended 2020	Year ended 2019
Parent company	**2,041**	-
Other Siemens group companies	**528**	2,770

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

	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	**2020**	2019
Parent company	**(21)**	-	**(456)**	14,940
Other Siemens group companies	**21**	1,082	**177**	(14,993)

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.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	**2020**	2019
Other Siemens group companies	**250,448**	137,617	**1,834**	1,026

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.

(d) Year end balances arising from leases from related parties:

	Lease liabilities to related parties	
	2020	2019
Other Siemens group companies	**14,311**	-

34. Remuneration of key management personnel

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

	Year ended September 30,	
	2020	2019
Short-term employee benefits	**1,733**	1,771
Post-employment benefits	**17**	7
Termination benefits	**1,771**	901

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

35. Directors' transactions

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

The immediate beneficial parent undertaking is Siemens Mobility GmbH, a company incorporated in Germany.

36. Change in accounting policy

This note explains the impact of the adoption IFRS 16 Leases on the Company's financial statements.

As indicated in note 2 above the Company has adopted IFRS 16 Leases retrospectively from 1 October 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. The new accounting policies are disclosed in note 20.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 1.26%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 October 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

(ii) Measurement of lease liabilities

	2019
Operating lease commitments disclosed as at 30 September 2019	37,984
Discounted using the lessee's incremental borrowing rate at the date of initial application	36,558
(Less): low-value leases not recognised as a liability	(42)
Lease liability recognised as at 1 October 2019	**36,516**
Of which are:	
Current lease liabilities	10,112
Non-current lease liabilities	26,404
	36,516

(iii) Adjustments recognised in the Statement of Financial Position on 1 October 2019

The change in accounting policy affected the following items in the balance sheet on 1 October 2019:

- Right-of-use assets – increase of £35,661k
- Prepayments – decrease of £857k
- Accruals – decrease of £1,722k
- Lease liabilities – increase of £36,516k
- Deferred tax – increase of £nil

The net impact on retained earnings on 1 October 2019 was £nil.

At 30 September 2019, the company had no finance lease liabilities as a lessee.

(iv) Lessor accounting

The Company did not need to make any adjustments to the accounting for contracts where the Company acts as the lessor as a result of the adoption of IFRS 16.

37. Ultimate parent undertaking

The ultimate parent undertaking is Siemens AG, incorporated in Germany. Siemens AG is the only group undertaking of which the Company is a member for which group financial statements are prepared. Copies of the group financial statements are available on the internet at http://www.siemens.com/annualreport or obtained from:

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

38. Subsequent events

ITS carve out

On November 12, 2020 Siemens AG announced the carve out of the Intelligent Traffic Systems (ITS) business from Mobility within the Siemens AG group.

In the course of Mobility's continued development, Intelligent Traffic Systems (ITS) will be carved out by the end of fiscal 2021 to form a separately managed entity. As a separate company, ITS will be able to further pursue its growth strategy, shape the digital transformation of its industry and actively drive market consolidation. In this connection, the unit will leverage its market-leading position in installed systems and drive advances in digitalisation. Offering innovative, smart and comprehensive mobility solutions for roads and cities, ITS is the world's only supplier of solutions serving all the main regional standards worldwide.

An estimate of financial impact of the carve out cannot be accurately calculated due to the early stage of this process. The directors believe that disclosing such an estimate would result in a misleading disclosure of the transaction.

Covid-19

As a provider of critical national infrastructure, Siemens Mobility Limited's activities played a pivotal role in keeping Britain's road and rail networks moving. All manufacturing and service sites remained open, with strict protocols in place, to support the movement of key workers. Those employees, such as office and administration staff, who were able to work from home were immediately tasked to do so, supported by appropriate technological and wellbeing solutions. The required working practices during the pandemic are now well-established enabling manufacturing and service sites to continue operating as well as the continuation of project delivery. Further disruption to business activity is expected to be minimal even in the event of further extended periods of lockdown.

GMP equalisation

On 20 November 2020, the High Court released another ruling regarding a claim involving Lloyds Banking Group's defined benefit pension schemes. The court has now concluded that schemes should be amended in order to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits on certain historical transfers out. The issues determined by the court have a potential consequence for many other defined benefit pension schemes. The additional liability for the Company as crystalised by this ruling is £19k.