

SIEMENS PLC

Directors' report and financial
statements

Registered number 727817

September 30, 2012

FRIDAY



A20RJTZI

A06

25/01/2013

#66

COMPANIES HOUSE

SIEMENS PLC

YEAR ENDED SEPTEMBER 30, 2012

CONTENTS	PAGE
The directors' report	1
Statement of directors' responsibilities in respect of the directors' report and financial statements	5
Independent auditor's report to the members of Siemens plc	6
Statement of income	7
Statement of comprehensive income	8
Statement of financial position	9
Statement of cash flow	10
Statement of changes in equity	12
Notes to the financial statements	13

SIEMENS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

THE DIRECTORS' REPORT

The directors present their directors' report and the financial statements of Siemens plc (the 'Company') for the year ended September 30, 2012

PRINCIPAL ACTIVITIES

Siemens plc is engaged in the manufacture, installation and sale of products in the area of fossil and renewable electricity generation and distribution, rail and automotive transportation systems, industrial and building automation, metallurgical engineering and healthcare equipment and services. The Company also owns and leases property which is rented to other group companies through a workplace management arrangement providing fully serviced and managed office equipment. The Company also provides IT and other business infrastructure services to other Siemens group companies in the UK.

BUSINESS REVIEW

General business review – statement of income

Revenue increased in the year by £743.0m (+29%) to £3,307.3m mainly due to organic growth in the Industry and Energy sectors. There was revenue growth of 57% in the Energy sector mainly due to strong performance in Wind Power from the delivery of renewable energy wind farm projects. Despite challenging market conditions revenue in the Industry sector was 6% higher than in the prior year (on a comparable basis not including the acquisition of Siemens VAI Metals Technologies Limited), mainly from strong volumes within the Motion Control and Mechanical Drives businesses. The sales growth was driven from good service volumes and by continued strong product business combined with earlier recognition of orders than planned. The Industry sector increased revenue as a result of the legal integration of Siemens VAI Metals Technologies Limited in April 2012, another Siemens group company. Industry sector performance increased by £159.0m (+62%) to £414.4m. Within Infrastructure & Cities sector, revenue decreased by £129.9m (-20%) to £532.8m. This impact was a result of lower rolling stock deliveries. The Healthcare sector had revenue growth of 6% mainly as a result of increased manufacturing activity and sales volume of magnets used in MRI scanners.

After excluding the 2011 and 2012 pension settlement losses, the Company's operating profit increased, from £159.9m in 2011 to £203.8m in 2012, an increase of 27%. The gross margin decreased slightly from 11% in 2011 to 10% this year. The increase in operating profit was mainly due to the higher year on year revenues by 29% and resulting gross margin marginally offset by an increase in marketing and distribution expenses that increased by £8.4m during the year. The increase in marketing and distribution expenses was mainly driven from the Siemens VAI Metal Technologies division in Industry. Within the Energy sector there was a major recruitment drive to set up increased sales teams for both the Onshore and Offshore businesses within the Wind Power division. The Oil and Gas division within the Energy sector incurred additional expenses from the Subsea business, integrated into the Company in 2011. There was also a reduction of marketing and distribution expenses in the current year from the corporate centre year on year due to the completion of the Finance Transformation programme.

Defined benefit pension schemes in which the Company participates had significant impacts on the operating profit and equity during the year. The operating profit included settlement losses of £52.6m (see note 6 – exceptional item) arising from member transfers out of the UK group, whilst actuarial losses of £356.7m were booked to other comprehensive income, largely as a result of reduction in the yield on corporate bonds (discount rate) from 5.65% at the beginning of the year to 4.4% at year end. As a result, the Company's share of the Siemens Benefit Scheme moved into a net deficit of £238.0m, in spite of employer contributions of £67.9m.

After taking the pension settlement losses into account, the Company's operating profit increased to £151.2m from £53.2m in the previous year and profit from continuing operations before taxation increased to £167.7m from £59.6m.

There was no dividend income in the current year.

The Company made a profit for the year, net of taxation of £120.6m (2011: £42.5m). Excluding the exceptional pension settlement loss and the associated deferred tax credit, the Company's profit for the year after taxation increased from £120.4m to £160.1m, an increase of £39.7m.

The performance in 2012 is in line with the expectations of the directors and the directors believe the results for the year reflect the ongoing trading performance of the Company.

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The continuing volatility in the world's financial markets and the recessionary conditions within the UK economy has been noted by the directors. An evaluation of the potential impact of market factors is undertaken regularly by the management so that the Company can respond appropriately.

The Company's strategy is to increase its profitability by investing in sectors where its existing portfolio can be enhanced with new innovations, products and technologies and to gain access to new business segments and growth markets. Part of the Company's growth comes from integrating the trade and assets of other Siemens UK companies, in order to reduce the number of legal entities in the UK with a view to improving business efficiency and enhancing shareholder value. Significant business that was purchased by the Company during the year included the trade and assets of Siemens VAI Metals

SIEMENS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

Technologies Limited, whose principal activities are metallurgical engineering, construction and automation for the metals industries

Commencing fiscal year 2013, a global Siemens wide initiative, "Siemens 2014", will be implemented to further support sustainable value creation. As part of this initiative the company strives for increasing productivity in order to improve profitability through five key enablers: cost reduction, strengthening core activities, go-to-market, optimising our infrastructure, and simplifying governance. Further information on "Siemens 2014" can be found in the 2012 Siemens AG annual report.

Also, as part of the ongoing business initiative to consolidate leased office space and the real estate portfolio within the UK, the Company purchased certain land and buildings and technical machinery and equipment from other Siemens group companies.

General business review - statement of financial position

Total assets increased by £198.0m through a combination of increases in trade receivables of £153.1m arising from higher revenue for the year and an increase in the intercompany loan to Siemens Holdings plc. Inventories reduced significantly by £84.7m mainly due to costs in excess relating to construction contracts being billed out as projects were delivered. Goodwill increased by £83.1m due to the acquisition of Siemens VAI Metals Technologies Limited ('VAI'). As mentioned above the Company's defined benefit pension scheme moved into a deficit position and eliminated the pension asset of £81.4m. There was also an increase in the deferred tax asset by £56.9m.

Total liabilities increased by £349.9m mainly due to the Siemens Benefit Scheme moving into a deficit. The impact in the current year was £237.6m. Another contributor to the increase in liabilities was the long term loan of £124.4m from Siemens Financieringsmaatschappij NV to fund the VAI acquisition.

Net assets decreased by £151.9m, mainly due to net profit after tax of £120.6m offset by the actuarial loss arising in the Siemens Benefit Scheme of £278.5m (net of related deferred tax) in the current year.

General business review – statement of cash flow

Cash is lent to the Siemens worldwide cash pooling facility or lent directly to other group companies. Cash generated therefore does not increase cash and cash equivalents, but instead appears as a cash outflow from increasing intercompany receivables and is reported as financing activities in the *Statement of Cash Flow*.

Cash from operations was an overall inflow of £237.8m when compared to an overall outflow of £75.8m in the prior year. This is driven from increases in profit year on year of £78.1m through higher revenue and an increase in gross profit percentage. Also contributing to this increase is the decrease in inventory levels, improving cash flow by £109m due to reductions in costs in excess on uncompleted contracts. A further operating impact on cash flow was the increase in trade payables and accrued expenses of £118.1m. In addition, there was also a reduction in the pension contribution payments being £68.6m lower than the prior year.

Cash used in investing activities increased by £127.7m compared to prior year. This was mainly due to the acquisition of the trade and assets of Siemens VAI Metal Technologies Limited for £124.4m (see note 4). Construction projects carried out by the Real Estate division also resulted in an overall outflow within investing activities, which was higher this year by £18.8m. There was an increase in additions to property, plant and equipment relating to the 'Crystal' (Urban Sustainability Centre) which opened in September 2012. This outflow within investing activities was offset by sales of investments and proceeds from sale of property, plant and equipment.

Net cash from financing activities is an overall outflow of £55.2m for the current year compared to a prior year inflow of £130.5m. This is due to the changes in intergroup financing. Primarily it is due to increased borrowing by Siemens Holdings plc on its existing intercompany loan with Siemens plc in the current year by £136.4m. In addition it is also driven from a decrease in trade payable amounts owed to group companies of £146.1m whereby the Energy sector has made increased progress in achieving construction contract milestones on its major projects triggering payments to Siemens Wind Power in Denmark. Also within financing activities the proceeds from the issuance of long term debt of £124.4m contributed a cash inflow due to a loan arrangement being taken up with Siemens Financieringsmaatschappij NV (see note 26).

Analysis of financial key performance indicators

Siemens plc measures its performance on a number of key performance indicators, including revenue, profit from operations, net capital employed and net cash from operations as discussed above. In addition to the above, new orders received is also considered to be a key performance indicator.

New orders received

New orders received decreased by £952m (-31%) to £2,076m compared with the prior year. This decrease was due to a slowing in significant order wins in Rail and Logistics (-55%) and Wind Power (-62%) divisions. As a result, in 2012 there were no orders of comparable value compared to the train supply and maintenance project with Eurostar that was won in

SIEMENS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

2011 From a sector perspective there was continued growth in new orders in the Healthcare sector, where new orders increased by 8% and in the Industry sector on a comparable basis new orders increased by 5%

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 (which may intensify given the recessionary environment in the UK), integration of acquired businesses, performance risks under long term fixed price contracts, loss of supply of product components, changes in the regulatory and legal environment, vacancy of properties currently occupied by group companies 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 and healthcare.

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 flow from operations over the next twelve months. The Company is included in the Siemens cash pooling facility across the Siemens worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Further information on these risks, and their potential impacts, can be found in the 2012 Siemens AG annual report. The Company has set out its financial risk management policies including management of capital and liquidity in note 31 to the accounts.

For 2012, based on its 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 the next twelve months. Thus the Company continues to adopt the going concern basis of accounting.

DIVIDENDS

The directors have not recommended a dividend (2011 Nil)

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company's expenditure on research and development was £9.5m (2011 £10.2m).

CHANGES IN INVESTMENTS

Details of changes in investments are disclosed in note 19 to the accounts.

DIRECTORS

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

R Aurich	Appointed January 1, 2012
H C Carless	Appointed February 1, 2012
M S Chinn	Appointed April 1, 2012
HOG Dombrowe	Resigned March 31, 2012
GT Gent	Resigned January 31, 2012
AJ Goss	Resigned December 31, 2011
A Hall	Appointed April 1, 2012
R Jaksch	Resigned March 31, 2012

None of the directors holding office at September 30, 2012 had notified a beneficial interest in any contract to which the Company or its subsidiary undertakings were a party, during the financial year.

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

POLICY AND PRACTICE ON THE PAYMENT OF CREDITORS

It is the Company's policy to negotiate terms with its suppliers in all sectors and to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms.

Creditor days at September 30, 2012 were 22 days (2011 21 days).

FINANCIAL INSTRUMENTS

Siemens plc's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 31 to the accounts.

SIEMENS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

SUBSEQUENT EVENTS

In November 2012, Siemens AG announced its strategy to divest its Logistics and Airport solutions and Water Technologies business units to further focus resources on core activities. At this point an estimation of the financial effects on Siemens plc cannot be made.

The Company has adopted the following Siemens AG group policies

Employee Participation

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

Environmental

As a leading global Company, Siemens has a responsibility to comply with the highest ethical and legal standards while protecting the environment and benefiting society as a whole. There are a number of initiatives, such as the Siemens corporate responsibility award, to highlight and honour those individuals and employee teams whose projects highlight our commitment to making the world a better place.

Equal Opportunities

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

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

POLITICAL AND CHARITABLE DONATIONS

Charitable donations amounting to £143k (2011: £270k) were made during the year. No political donations were made during the current or preceding year.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' 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 director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

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

Signed by order of the board of directors



C Carless
Company Secretary

Approved by the directors on December 19, 2012

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

SIEMENS PLC

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

YEAR ENDED SEPTEMBER 30, 2012

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

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

- ▶ select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- ▶ present information including accounting policies in a manner that provides relevant reliable comparable and understandable information
- ▶ provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- ▶ state that the Company has complied with IFRSs subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS PLC

We have audited the financial statements of Siemens plc for the year ended September 30, 2012 which comprise the statement of income, the statement of comprehensive income, the statement of financial position the statement of cash flow, the statement of changes in equity and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- ▶ give a true and fair view of the state of the company's affairs as at September 30, 2012 and of its profit for the year then ended,
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.


Lloyd Brown (Senior statutory auditor)
for and on behalf of Ernst & Young LLP Statutory Auditor
London

20 DECEMBER 2012

SIEMENS PLC

STATEMENT OF INCOME

For the year ended September 30, 2012 and 2011 (in thousands of £)

	<i>Note</i>	2012 Total	2011 Total
Continuing operations			
Revenue	5	3,307,349	2,564,360
Costs of goods sold and services rendered	6	(3,033,188)	(2,395,673)
Gross profit		274,161	168,687
Research and development expenses		(9,464)	(10,188)
Marketing and distribution expenses		(100,363)	(92,009)
Administrative expenses		(14,436)	(8,772)
Other operating expense / (income)		1,262	(4,490)
Operating profit	6	151,160	53,228
Other income / (expense)	7	331	(804)
Interest income	10	7,693	5,482
Interest expense	10	(4,686)	(3,543)
Interest income from pension plans and similar commitments, net	10	13,211	5,241
Profit from continuing operations before tax		167,709	59,604
Analysed as			
Underlying profit from continuing operations before tax		220,355	166,259
Exceptional pension settlement loss (included within cost of sales above)	6	(52,646)	(106,655)
Tax	11	(47,090)	(17,089)
Profit from continuing operations, net of tax		120,619	42,515
Profit for the financial year		120,619	42,515

Exceptional items in 2012 and 2011 relate to the Siemens defined benefit pension scheme (see note 6)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2012 and 2011 (in thousands of £)

	2012	2011
Profit for the year	<u>120,619</u>	<u>42,515</u>
Other comprehensive income:		
Gain / (loss) on derivative financial instruments	7,958	(6,155)
Deferred tax (charge) / credit on gain/(loss) on derivative financial instruments	(1,989)	1,662
Actuarial (losses) / gains in respect of defined benefit pension scheme	(356,675)	215,374
Deferred tax credit / (charge) on actuarial losses / gains	89,169	(58,151)
Deferred tax rate change adjustment	(10,989)	(4,001)
Other comprehensive (loss) / income for the year, net of tax	<u>(272,526)</u>	<u>148,729</u>
Total comprehensive (loss) / income for the year, net of tax	<u>(151,907)</u>	<u>191,244</u>
Attributable to Owners of the Company	(151,907)	191,244

SIEMENS PLC

STATEMENT OF FINANCIAL POSITION

As of September 30, 2012 and 2011 (in thousands of £)

ASSETS	Notes	2012	2011
Current assets			
Cash and cash equivalents		1,681	1,348
Trade and other receivables	12	715,486	562,360
Other current financial assets	13	33,873	9,505
Inventories	14	213,981	298,668
Other current assets	15	29,114	25,060
Total current assets		994,135	896,941
Non-current assets			
Goodwill	16	194,196	111,078
Other intangible assets	17	45,450	35,133
Investment properties	18	15,720	15,720
Property, plant and equipment	18	214,299	190,768
Investments	19	-	1,604
Other financial assets	20	39,076	29,112
Pension plans and similar assets	24	27	81,410
Other assets		4,368	4,404
Deferred tax assets	11	56,896	-
Total assets		1,564,167	1,366,170
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	22	239,854	337,389
Other current liabilities	23	568,929	563,646
Other current financial liabilities	21	21,149	18,360
Current provisions	25	77,782	36,758
Corporation tax payable		30,485	3,167
Total current liabilities		938,199	959,320
Non-current liabilities			
Long-term debt	26	124,561	200
Pension plans and similar commitments	24	237,994	350
Provisions	25	20,080	23,372
Other financial liabilities	27	11,944	826
Other liabilities		14,879	13,560
Deferred tax liabilities	11	-	125
Total liabilities		1,347,657	997,753
Equity			
Share capital	28	1,000	1,000
Cash flow hedging reserve		1,525	(4,444)
Retained earnings		213,985	371,861
Total equity		216,510	368,417
Total liabilities and equity		1,564,167	1,366,170

These financial statements were approved by the board of directors on December 19, 2012 and were signed on their behalf by

A Hall
 Registered number 727817
 Siemens plc

STATEMENT OF CASH FLOW
For the year ended September 30, 2012 and 2011 (in thousands of £)

	2012	2011
Cash flows from operating activities		
Profit for the year	120,619	42,515
Adjustments to reconcile profit to cash provided		
Depreciation, amortisation and impairment	31,670	30,753
Taxes	47,090	17,089
Interest income, net	(3,007)	(1,939)
Defined benefit pension charge in the statement of income	41,317	107,362
Gains on disposals of property, plant and equipment, net	(315)	(21)
(Gains) / losses on sales of investments / operations	(331)	804
Disposal of goodwill	44	-
Impairment of property, plant and equipment	14,266	-
Other non-cash expense (income) / expense	(7,958)	6,155
Operating profit before changes in working capital and provisions	243,395	202,718
Changes in current assets and liabilities		
Decrease in inventories	117,791	8,691
(Increase) / decrease in trade and other receivables	(19,037)	6,144
Increase in other current assets	(13,604)	(2,471)
Increase / (decrease) in trade payables and accrued expenses	40,286	(77,817)
Decrease in other current liabilities	(88,086)	(18,601)
Decrease / (increase) in other long term assets	86	(218)
Increase / (decrease) in other long term liabilities	25,062	(20,139)
Cash generated from operations	305,893	98,307
Taxes paid	(3,494)	(39,316)
Interest received	3,259	1,678
Defined benefit pension contributions paid	(67,901)	(136,491)
Net cash provided by / (used in) operating activities – continuing operations	237,757	(75,822)
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	(65,573)	(46,739)
Cash acquired on acquisitions of trade and assets from other Siemens companies	625	300
Sale / (purchase) of investments	1,935	(869)
Purchase of trade and assets of other entities	(124,361)	(9,907)
Proceeds from sale of property, plant and equipment	5,171	1,197
Proceeds from sale of operations	-	1,544
Net cash used in investing activities - continuing operations	(182,203)	(54,474)

SIEMENS PLC

STATEMENT OF CASH FLOW

For the year ended September 30, 2012 and 2011 (in thousands of £)

	2012	2011
Cash flows from financing activities		
Change in financing from other group companies	(179,582)	130,530
Proceeds from issuance of long term debt (see note 26)	124,361	-
Net cash (used in) / provided by financing activities – continuing operations	(55,221)	130,530
Net increase in cash and cash equivalents	333	234
Cash and cash equivalents at the beginning of the year	1,348	1,114
Cash and cash equivalents at the end of the year	1,681	1,348

The cash flow statement above includes the following cash flows from acquired operations, in the year of acquisition, since the date of the acquisition as follows

	2012	2011
Net cash (used in) / provided by operating activities – acquired operations	(4,464)	118
Net cash (used in) investing activities - acquired operations	(183)	(2)
Net cash provided by / (used in) financing activities – acquired operations	5,201	(1,718)

Siemens operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Therefore apart from any accounts held with local banks, amounts invested with/drawn down from the Siemens AG accounts are shown as an intercompany balance. Changes in the balances on these facilities are included in cash provided by / (used in) financing activities. 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 year ended September 30, 2012 and 2011 (in thousands of £)

	Share capital	Capital contribution reserve	Cash flow hedging reserve	Retained earnings	Total equity
Balance brought forward October 1, 2010	1,000	-	49	176,124	177,173
Profit for the financial year	-	-	-	42,515	42,515
Other comprehensive income for the financial year	-	-	(4,493)	153,222	148,729
Total comprehensive income for the financial year	-	-	(4,493)	195,737	191,244
Equity settled share based payments	-	1,238	-	-	1,238
Recharge from ultimate parent undertaking	-	(1,238)	-	-	(1,238)
Balance at September 30, 2011	1,000	-	(4,444)	371,861	368,417
Balance brought forward October 1, 2011	1,000	-	(4,444)	371,861	368,417
Profit for the financial year	-	-	-	120,619	120,619
Other comprehensive (loss) / income for the financial year	-	-	5,969	(278,495)	(272,526)
Total comprehensive (loss) / income for the financial year	-	-	5,969	(157,876)	(151,907)
Equity settled share based payments	-	2,122	-	-	2,122
Recharge from ultimate parent undertaking	-	(2,122)	-	-	(2,122)
Balance at September 30, 2012	1,000	-	1,525	213,985	216,510

Retained earnings include actuarial gains / (losses) on pension plans and similar commitments of (£367,597k) and (£10,922k), respectively, in the fiscal years ended September 30, 2012 and 2011

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. Further details in respect of the share-based payment plans for all Siemens companies in the UK have been made in note 29.

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

1. Basis of presentation

The accompanying financial statements present the operations of Siemens plc and have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS') and applied in accordance with the Companies Act 2006. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

Siemens plc has prepared and reported its financial statements in Great British Pounds (GBP) (£) and the financial information is disclosed in thousands of £, except where stated otherwise. 'k' denotes thousands of £ and 'm' denotes millions of £. Siemens plc is a United Kingdom based company incorporated in England and Wales with a balanced business portfolio of activities.

The financial statements contain information about Siemens plc as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Siemens AG, a company incorporated in Germany.

The Company applied all standards and interpretations issued by the IASB that were effective as of September 30, 2012. In these financial statements, the term 'group' refers to all companies for whom the ultimate parent undertaking is Siemens AG, a company incorporated in Germany. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

For 2012, 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 the next twelve months. Thus the Company continues to adopt the going concern basis of accounting.

2 Summary of significant accounting policies

Exceptional items – Exceptional items are those items that in the directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance (see note 6).

Business combinations — Business combinations (other than those from Siemens group companies) are accounted for under the acquisition method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Any contingent consideration to be transferred by Siemens as the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to 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. Uniform accounting policies are applied. Changes to contingent consideration classified as a liability at the acquisition date are recognised in profit and loss. Non-controlling interests may be measured at their fair value (full-goodwill-methodology) or at the proportional fair value of assets acquired and liabilities assumed. After initial recognition non-controlling interests may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests. In business combinations achieved in stages, any previously held equity interest in the acquiree is remeasured to its acquisition date fair value. If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are re-measured to fair value.

Business integrations from Siemens group companies are accounted for, either

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

Revenue recognition — Revenue is recognised for product sales when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured.

If product sales are subject to customer acceptance, revenue is not recognised until customer acceptance occurs. Revenues from construction-type projects are generally recognised under the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated contract costs, contractual milestones or performance. Revenues from service transactions are recognised as services are performed. For long-term service contracts, revenues are recognised on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided (i.e. generally under the percentage of completion method).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

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

Sales of goods and services as well as software arrangements sometimes involve the provision of multiple elements. In these cases, the Company determines whether the contract or arrangement contains more than one unit of accounting. An arrangement is separated if (1) the delivered element(s) has (have) value to the customer on a stand-alone basis, (2) there is reliable evidence of the fair value of the undelivered element(s) and (3), if the arrangement includes a general right of return relative to the delivered element(s), delivery or performance of the undelivered element(s) is considered probable and substantially in the control of the Company. If all three criteria are fulfilled, the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values. The hierarchy of fair value evidence is as follows: (a) sales prices for the component when it is regularly sold on a stand-alone basis, (b) third-party prices for similar components or, under certain circumstances, (c) cost plus an adequate business-specific profit margin related to the relevant element. By these means, reliable fair values are generally available. However, there might be cases when fair value evidence according to (a) and (b) is not available and the application of the cost plus-method (c) does not create reasonable results because the costs incurred are not an appropriate base for the determination of the fair value of an element. In such cases the residual method is used, if fair value evidence is available for the undelivered but not for one or more of the delivered elements, i.e. the amount allocated to the delivered elements equals the total arrangement consideration less the aggregate fair value of the undelivered elements. If the three separation criteria (1) to (3) are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered. The amount allocable to the delivered elements is limited to the amount that is not contingent upon delivery of additional elements or meeting other specified performance obligations.

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

Interest is recognised using the effective interest rate method.

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

Sales of goods and services include service revenue from other Siemens operating companies in the UK (see note 5). The revenue relates to services provided in the areas of professional services, IT support and solutions, facilities management and human resources. Revenue is recognised as services are performed. Certain costs recharged to other group companies are reported as reductions of costs rather than as revenue.

Revenue includes rental income, income from service charges or leased properties and real estate related projects. Rental income is recognised on a straight line basis over the lease term for operating leases or apportioned between finance income and principal repayment for finance leases. 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. Service revenue is recognised with reference to the stage of completion of the relevant services provided at the reporting date. Revenue from utilities is recognised when the services are delivered to the tenant. Revenue from project activities (i.e. designing office concepts, delivering office refurbishments, etc) is recognised with reference to the stage of completion of the relevant project at the reporting date.

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 statements 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 and losses from onerous contracts — Provisions for estimated costs related to product warranties are recorded in *Cost of goods sold and services rendered* at the time the related sale is recognised, and are established on an individual basis, except for the standard product business. The estimates reflect historic trends of warranty costs, as well as information regarding product failure experienced during construction, installation or testing of products. In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions. Expected losses from onerous contracts are recognised in the period when the current estimate of total contract costs exceeds contract revenue.

Research and development costs — Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Costs for development activities, whereby research findings are applied to a plan or design for the production of new or

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

substantially improved products and processes, are capitalised if all of the following criteria are met: development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends, and has sufficient resources, to complete development and to use or sell the asset. The costs capitalised include the cost of materials, direct labour and other directly attributable expenditure that serves to prepare the asset for use. Such capitalised costs are included in *Other intangible assets* as other internally generated intangible assets. Other development costs are expensed as incurred. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses with an amortisation period of generally three to five years.

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

Goodwill — Goodwill is not amortised, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances 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. Siemens 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 if the recoverable amount exceeds the carrying amount of the cash-generating unit to which the goodwill is allocated, see Note 16 for further information.

In business integrations of Siemens group companies, goodwill is only recorded by the acquiring company if the goodwill was already an asset on the acquired Company's balance sheet, or if the goodwill value was previously included in the carrying value of the acquiring Company's investment in the subsidiary undertaking from which the trade has been purchased.

Other intangible assets — Other intangible assets consist of software and other internally generated intangible assets, patents, licenses and similar rights. 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 three to twenty-two years for customer relationships and from seven to twelve years for technology. Intangible assets which are determined to have indefinite useful lives as well as intangible assets not yet available for use are not amortised, but instead tested for impairment at least annually.

Investment property — These are freehold properties held to earn rental income or gain capital appreciation. Leasehold properties are shown gross of the leasehold payables (which are accounted for as finance lease obligations). The properties are first measured at cost (including transaction costs), and subsequently held at cost at each statement of financial position date. Additions include costs of a capital nature and depreciation is provided based on the property's estimated useful life.

The gain or loss arising on the sale of a property is the difference between sales proceeds, less selling costs, and the brought forward carrying amount (plus additions in the period), and is recognised in the statement of income within other operating income / (expense).

Property, leasehold improvements, plant and equipment — Property, leasehold improvements, plant and equipment is valued at cost less accumulated depreciation and impairment losses. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognised using the straight-line method. Residual values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. Costs of construction of qualifying assets, i.e. assets that require a substantial period of time to be ready for its intended use, include capitalised interest, which is amortised over the estimated useful life of the related asset. Land and investment property is not depreciated. The estimated useful lives are assumed:

Factory and office buildings	20 to 50 years
Investment properties	40 to 50 years
Leasehold improvements	1 to 15 years
Technical machinery & equipment	5 to 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

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. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual assets level, instead, it is performed at the level of the cash-generating unit the asset belongs to. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds their recoverable amount. If the fair value cannot be determined, the assets' value in use is applied as their recoverable amount. The assets' value in use is measured by discounting their estimated future cash flows. If there is an indication that the reasons which caused the impairment no longer exist, the Company assesses the need to reverse all or a portion of the 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.

Asset retirement cost – the present value of legal obligations associated with the retirement of an asset is added to the carrying amount of the associated asset included in leasehold improvements and plant and equipment. The additional carrying amount is depreciated over the life of the asset.

Property purchases and sales – these are recognised on the date of unconditional exchange, or, where exchange is conditional, on the date that the conditions have been satisfied.

Purchases of property from other group companies are made at fair market value.

Investments – Investments are stated at their historic cost to the Company less, where appropriate, provisions for any permanent or temporary impairment in value. In business integrations of Siemens group companies, the goodwill value that was previously included in the carrying value of the acquiring Company's investment in the subsidiary undertaking is reclassified from *Investments* and reported as *Goodwill*.

Taxes — The Company applies IAS 12, *Income Taxes*. Under the liability method of IAS 12, 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. The effect on deferred tax assets and liabilities of a change in tax laws is recognised in the statement of income, unless related to items directly recognised in equity, in the period the new laws are enacted or substantively enacted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Inventories — Inventory is valued at the lower of acquisition or production cost or net realisable value, cost being generally determined on the basis of an average or first-in, first-out method. Production costs comprise direct material and labour and applicable manufacturing overheads, including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions — A provision is recognised in the statement of financial position when 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 and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognised in the statement of income. The present value of legal obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development and normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is depreciated over the life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in estimates are generally recognised by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Company recognises a gain or loss on settlement.

Termination benefits — Termination benefits are recognised in the period incurred and when the amount is reasonably estimable. Termination benefits in accordance with IAS 19 on Employee Benefits are recognised as a liability and an expense when the entity has demonstrably committed itself, through a formal termination plan or otherwise created a valid expectation, to either provide termination benefits as a result of an offer made in order to encourage voluntary redundancy or terminate employment before the normal retirement date.

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. Financial assets of the Company mainly include cash and cash equivalents, available-for-sale financial assets, trade receivables, loans receivable, finance lease receivables and derivative financial instruments with a positive fair value. Cash and cash equivalents are not included within the category available-for-sale financial assets as these financial instruments are not subject to fluctuations in value. Siemens plc does not make use of the category held to maturity. Financial liabilities mainly comprise loans from banks, trade payables, finance lease payables and derivative financial instruments with a negative fair value. Siemens does not make use of the option to designate

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option) Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases

Financial instruments are recognised in the statement of financial position when the Company becomes a party to the contractual obligations of the instrument Regular purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date

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

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*

Loans and receivables — Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method less any impairment losses Impairment losses on trade and other receivables are recognised using separate allowance accounts See note 3 for further information regarding the determination of impairment

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 Derivative financial instruments are 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 periodically either in net income or, in the case of a cash flow hedge, in line item *Other comprehensive income*, net of applicable deferred income taxes Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives

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

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

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

- **Leases in which the Company is the lessee**
Under finance leases, the minimum lease obligation, or if lower, the asset's fair value, is capitalised within property, plant & equipment at the commencement of the lease and depreciated over the shorter of the useful economic life and the lease term The rental obligation is recorded as a borrowing at a similar amount Each lease payment is allocated between liability repayment and finance charges in a way so as to achieve a constant effective interest rate on the balance outstanding Under operating leases, the asset does not appear in property, plant & equipment and lease payments are charged to the statement of income on a straight-line basis over the lease term
- **Leases in which the Company is the lessor**
Under finance leases, the asset leased out is not shown in the Company's property, plant & equipment, but the present value of the minimum lease payments is booked as a receivable Lease income is recognised over the lease term using the net investment method before tax, which reflects a constant effective interest rate on the outstanding balance Under operating leases, the asset leased out appears in property, plant & equipment and lease income is credited to the statement of income on a straight-line basis over the lease term

Pension costs and other post-retirement benefits

Defined contribution plan — The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the statement of income represents the contributions payable to the scheme in

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

respect of the accounting period and represents the full extent of the Company's liability

Defined benefit plans — The Company measures the entitlements of the defined benefit plans by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)). The Company considers future compensation and benefit increases, because the employee's final benefit entitlement at regular retirement age depends on future compensation or benefit increases.

For funded plans, the Company offsets the fair value of the plan assets with the benefit obligations. The Company recognises the net amount, after adjustments for effects relating to unrecognised past service cost and any assets ceiling, under pension liability or pension asset.

Actuarial gains and losses, resulting for example from an adjustment of the discount rate or from a difference between actual and expected return of plan assets, are recognised by the Company in the statement of comprehensive income in the year in which they occur. Those effects are recorded in full directly in equity, net of tax.

The Company participates in several defined benefit plans, which are accounted for in these financial statements as follows:

Siemens Benefit Scheme

The Company operates a pension scheme providing benefits based upon final pensionable pay. The assets of the scheme are held separately from those of the Company. For the purposes of IAS 19, the Company is one of several employers participating in the scheme. Each participating Company is responsible for funding their respective existing pension liabilities and any future benefits which accrue. International Accounting Standard No. 19 (IAS 19) has been followed throughout the financial statements.

Siemens Building Technologies Retirement Benefit Scheme, Siemens Fire Safety & Security (PFP) Pension Scheme, ASI Robicon Limited Final Salary Pension Plan, Railways Pension Scheme, Electrium Pension Scheme and VA Tech UK Pension Scheme

The Company operates/participates in these pension schemes which provides benefits based upon final pensionable pay. The assets of the schemes are held separately from those of the Company.

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

Share-based payments — 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 options/awards/share matching granted is recognised as an employee expense with a corresponding increase 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 shares, considering 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 (excluding the monthly investment plan) under the plans. The full disclosures required under IFRS 2 in respect of the share-based payment plans for all Siemens companies in the UK have been made in note 29.

New standards effective for the year ended September 30, 2012

IFRIC 14 – Prepayments of A Minimum Funding Requirement (Amendment)

This amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements in the UK; therefore the amendment of the interpretation has no effect on the financial position or the performance of the Company.

IFRS 7 – Financial Instruments: Disclosures (Amendment)

This amendment increases the disclosure requirements for transfers of financial assets where the transferor retains continuing involvement in the transferred asset; additional disclosures are required if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period. The adoption of this amendment did not have any impact on the financial position or performance of the group.

In addition, as part of the Improvements to International Financial Reporting Standards (issued 2010), clarification was provided on the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. This amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. The Company reflects these revised disclosure requirements in note 31.

A number of other new and amended standards and interpretations have been issued with applicable dates before September 30, 2012, including IAS 24 Related Party Disclosures (Revised), IFRS 1 First time Adoption of International Financial

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters and the Improvements to International Financial Reporting Standards (issued 2010), none of which have had a material impact on the financial position or performance of the Company

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2012, and have not been applied in preparing these financial statements. Those standards that have relevance to the Company are mentioned below.

IAS 1 Presentation of items of Other Comprehensive Income (Amendment)

Amendments to IAS 1 Presentation of Financial Statements were issued in June 2011. The amendments require items presented in other comprehensive income to be grouped together based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified.

The amendments also require tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other comprehensive income either before tax or net of tax). The amendments to IAS 1 are applicable from October 1, 2012. The impact of this revision is a presentational adjustment and will result in other comprehensive income being split into two parts.

IAS 12 – Income Taxes (Amendment) – Deferred Taxes. Recovery of Underlying Assets

The amendments to IAS 12, issued in December 2010, introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, a use basis should be adopted. The amendments also introduce the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendments are applicable from October 1, 2012. The impact of these amendments is currently being evaluated.

IFRS 9 – Financial Instruments – Classification and Measurement

In October 2010, the IASB re-issued IFRS 9 Financial Instruments which supersedes IFRS 9 (2009) which was issued in November 2009. This standard is the first phase of the IASB's three-phase project to replace IAS 39 Financial Instruments Recognition and Measurement. The revised standard retains the requirements for classification and measurement of financial assets that were published in November 2009 but adds guidance on the classification and measurement of financial liabilities. IFRS 9 amends the classification and measurement requirements for financial assets, including some hybrid contracts. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value, replacing the different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard requires a single impairment method to be used, replacing the different impairment methods in IAS 39. The revised standard also introduces new requirements relating to financial liabilities in relation to the presentation of changes in fair value due to credit risks and the removal of an exemption from measuring certain derivative liabilities at fair value. The new standard is currently applicable for annual reporting periods beginning on or after January 1, 2015; early adoption is permitted. The European Financial Reporting Advisory Group postponed its endorsement advice, to take more time to consider the output from the IASB project to improve accounting for financial instruments. The Company is currently assessing the impact of the adoption on the Company's financial statements.

IFRS 10 – Consolidated financial statements

IFRS 10, issued in May 2011, identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess including a new definition of control. IFRS 10 replaces the part of IAS 27 *Consolidated and Separate Financial Statements* related to consolidated financial statements and replaces SIC 12 *Consolidation – Special Purposes Entities*. This standard is applicable from October 1, 2013 and is not expected to have an impact on the company as it does not produce consolidated financial statements.

IFRS 11 – Joint Arrangements

IFRS 11, issued in May 2011, overhauls the accounting for joint ventures (now called joint arrangements) by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). Jointly controlled entities, now called joint ventures, will no longer have the choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities*. This standard is applicable from October 1, 2013 and its impact is currently being evaluated.

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

IFRS 12 – Disclosure of interests in other entities

IFRS 12, issued in May 2011, sets out the disclosure requirements for subsidiaries, joint ventures, associates and unconsolidated structured entities. IFRS 12 replaces the requirements previously included in IAS 27, IAS 31, and IAS 28 *Investments in Associates*. This standard is applicable from October 1, 2013 and its impact is currently being evaluated.

IFRS 13 – Fair Value Measurement

IFRS 13 provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 is applicable from October 1, 2013. The impact of this new standard is being evaluated.

IAS 19 – Employee Benefits

In June 2011, the IASB issued IAS 19, Employee Benefits. The amended IAS 19 eliminates the corridor approach and requires recognition of gains and losses in line item *Other Comprehensive Income*. These changes will have no impact on the Company because the Company does not apply the corridor approach and already recognises changes in actuarial gains and losses in line item *Other Comprehensive Income*. The amended IAS 19, in addition, replaces the expected return on assets with interest costs on the defined benefit obligation with a single interest component. Past service costs will be recognised in full in the period of the related plan amendment. The amendments to IAS 19 also change the requirements for termination benefits and include enhanced presentation and disclosure requirements. The amendments to IAS 19 are applicable from October 1, 2013. The impact of this amendment is currently being evaluated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

3. Management estimates and judgments

Certain of the accounting policies described in note 2 require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change

Revenue recognition on construction contracts — The Company's sectors, particularly Energy and Industry, conduct a significant portion of their business under construction contracts with customers. The Company generally accounts for construction projects using the percentage-of-completion method, recognising revenue as performance on contract progresses. Certain long-term service contracts are accounted for under the percentage-of-completion method as well. This 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. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. Management of the operating divisions continually reviews all estimates involved in such construction contracts including commercial feasibility and adjusts them as necessary. Under the percentage of completion method, such changes in estimates may lead to an increase or decrease of revenues in the respective reporting period. The Company also uses the percentage-of-completion method for projects financed directly or indirectly by Siemens AG. In order to qualify for such accounting, the credit quality of the customer must meet certain minimum parameters as evidenced by the customer's credit rating or by a credit analysis performed by Siemens Financial Services (SFS). At a minimum a customer's credit rating must be a single B or B2 respectively from external rating agencies or an equivalent SFS-determined rating. In cases where the inflow of economic benefits is not probable due to customer related credit risks the revenue is restricted to the amount of payments irrevocably received. The Company believes the credit factors used provide a reasonable basis for assessing credit quality.

Revenue recognition on multiple element arrangements — Sales of goods and services sometimes involve the provision of multiple elements. The total arrangement consideration is allocated to the separate elements based on their relative fair values. Significant management estimates and judgments involve assessing the determination of the accounting treatment for each separate element, allocating revenue to each element based on their relative fair values, and other elements of the contract such as contract risks, RPI increases, salary increases and other judgments. Management continually reviews all judgments and estimates involved in such contracts and adjusts them as necessary.

Trade and other receivables — The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. The Company sells third party receivables to Siemens AG as part of its credit risk management strategy. Allowance for doubtful accounts is fixed at the date of sale. The movement in the allowance for doubtful accounts is given in note 12.

Impairment — The Company tests at least annually whether goodwill has incurred any impairment, in accordance with its accounting policy. The determination of the recoverable amount of a cash-generating unit 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 entities, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. The recoverable amount is the higher of the cash generating unit's fair value less costs to sell and its value in use. The Company generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations use five-year projections that are based on the financial plans. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. For further explanation of the goodwill impairment test in the year see note 16.

Likewise, whenever property, plant and equipment, other intangible assets and investments accounted for using the equity method are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

Employee benefit accounting — Pension plans and similar commitments — Obligations for pension and other post-employment benefits and related net periodic benefit costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected return on plan assets, expected salary increases and mortality rates. The discount rate assumptions 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 aren't available discount rates are based on government bonds yields. Expected returns on plan assets assumptions are determined on a uniform methodology, considering long-term historical returns and asset allocations. Due to changing market and economic conditions the underlying key assumptions may differ from actual developments and may lead to significant changes in pension and other post-employment benefit obligations. Such differences are recognised in full directly in equity in the period in which they occur without affecting profit or loss. For a discussion of the current funded status see Note 24.

Termination benefits — Siemens plc runs restructuring projects on an individual basis. Costs in conjunction with terminating employees and other exit costs are subject to significant estimates and assumptions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Provisions — Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations and legal proceedings. Such estimates are subject to change based on new information as projects progress toward completion and in the case of real estate, changes in circumstances of the current and future property market conditions. 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, for example in the Metal Technologies division, the Infrastructure & Cities sector, Healthcare sector, and the Energy sector as well as estimates involving warranty costs. Significant estimates and assumptions are also involved in the determination of provisions related to major asset retirement obligations. Uncertainties surrounding the amount to be recognised include, for example, the estimated costs of decommissioning 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 for the decommissioned assets. For further explanation of the movement in provisions in the period see note 25.

Asset retirement obligations— estimates are involved in the determination of the value of obligations associated with the retirement of tangible long-lived assets. The amounts that are recognised are based upon management judgement and past experience of actual costs incurred, and believed to be reasonable. For further information see note 25.

Taxes— Siemens AG 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. 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. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, a corresponding valuation allowance is taken into account.

4. Acquisitions

a) Acquisitions in the period

Trade and asset acquisitions of group companies

The Company acquired the trade and assets of the following group companies during the financial periods ending September 30, 2012 and 2011

Name of company acquired from	Date of acquisition	Sector
Siemens VAI Metals Technologies Limited	April 1, 2012	Industry
Bennex UK Branch	July 31, 2011	Energy
Poseidon International Limited	August 1, 2011	Energy

Siemens has a ongoing worldwide Location Concept project to reduce the number of locations of the Siemens businesses to maximise the usage of the office space which Siemens occupies and to gain cost efficiencies.

The Company also acquired some property, plant and equipment from the following group companies

Property, plant and equipment acquired from:	Date of acquisition	Segment
Siemens AG	September 14, 2012	Industry
Siemens AG	February 21, 2011	Industry
Siemens Healthcare Diagnostics Manufacturing Limited	March 1, 2011	Healthcare
Siemens Healthcare Diagnostics Products Limited	March 31, 2011	Healthcare

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

The total net assets acquired were

	<u>Year ended September 30,</u>	
	2012	2011
Cash and cash equivalents	625	300
Trade and other receivables	42,866	1,342
Other current financial assets	11,262	-
Intragroup receivables	60,073	-
Inventories	33,103	181
Other current assets	1,592	170
Other intangible assets	18,504	417
Property, plant and equipment	268	314
Leasehold improvements	-	87
Investment properties	-	5,699
Pension plans and similar assets	11,065	-
Other assets	1,770	-
	<u>181,129</u>	<u>8,510</u>
Trade payables	21,421	887
Other current liabilities	64,845	159
Other current financial liabilities	11,014	-
Intragroup liabilities	79	-
Current provisions	38,023	31
Other liabilities	250	-
Other financial liabilities	1,070	-
Deferred tax liabilities	3,228	107
	<u>139,930</u>	<u>1,184</u>
Net identifiable assets and liabilities	41,199	7,326
Goodwill on acquisition	83,162	2,581
Consideration	<u>124,361</u>	<u>9,907</u>

For the years ended September 30, 2012 and 2011 the above net identifiable assets and liabilities are valued at acquisition at fair value (based on book values where appropriate). Consideration for the trade and assets acquired from group companies in both 2012 and 2011 have been settled via intercompany accounts or cash.

Goodwill was recognised as a result of the acquisition of the trade and assets of Siemens VAI Metals Technologies Limited as follows

Total consideration transferred	124,361
Less value of identifiable assets	<u>(41,199)</u>
Goodwill	<u>83,162</u>

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

	<u>Year ended September 30,</u>	
	2012	2011
Revenue	145,267	1,070
Operating profit	13,674	82

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

The results of the combined operations, as if the above acquisitions had been made at the beginning of the period is as follows

	<u>Year ended September 30,</u>	
	2012	2011
Revenue	3,446,544	2,570,605
Operating profit	158,467	53,361

5. Revenue

Revenue is analysed into the following business categories

	<u>Year ended September 30,</u>	
	2012	2011
		(restated)
Energy	1,919,985	1,224,177
Healthcare	390,682	369,994
Industry	414,351	255,329
Infrastructure & Cities	532,775	662,724
Real Estate	43,693	44,642
Other*	5,863	7,495
	<u>3,307,349</u>	<u>2,564,360</u>

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

*Other revenue includes service revenue from other Siemens operating companies in the UK. This revenue relates to services provided in the areas of professional services, IT support and solutions, facilities management and human resources. In 2011, certain intercompany cost recharges were reported as reductions of costs rather than through revenue.

In 2011 a global reorganisation occurred resulting in the creation of the 4th sector, Infrastructure & Cities. The revenue split above has been restated under the new structure.

6 Operating profit from continuing operations has been arrived at after charging:

	<u>Year ended September 30,</u>	
	2012	2011
Net foreign exchange losses	4,715	3,338
Research and development costs	9,464	10,188
Depreciation of property, plant and equipment	21,803	24,864
Amortisation of intangible assets	9,867	5,889
Impairment of plant, property and equipment	14,266	-
Impairment of investments	-	(90)
Direct operating expenses in connection with investment properties	4,140	5,297
Staff costs (see note 8)	447,718	401,181
Auditor's remuneration		
- audit of financial statements	801	909

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £16k (2011 - £34k)

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Exceptional item

In 2012 the Company made a bulk transfer of members to another pension scheme, resulting in a net settlement loss of £52.6m (£39.5m net of tax), which is included in Costs of goods sold and services rendered

In 2011, the exceptional item of £106.7m (£77.9m net of tax) included in Costs of goods sold and services rendered relates to settlement losses that arose from the re-measurement of the Company's share of the defined benefit pension scheme, as a result of apportionment agreements entered into with the scheme trustees

7 Other income / (expense)

	<u>Year ended September 30,</u>	
	2012	2011
Profit / (loss) on sale of operations	331	(804)
	<u>331</u>	<u>(804)</u>

The current year profit on sale of operations relates to the gain on disposal of Marine Current Turbines Limited to Siemens AG. The prior year loss on sale of operations relates to the sale of part of the Industry business within Building Technologies to Siemens AB.

8 Staff numbers and costs

	<u>Year ended September 30,</u>	
	2012	2011
Wages and salaries	375,390	332,928
Social security costs	39,072	32,664
Expenses relating to pension plans and employee benefits	33,256	35,589
	<u>447,718</u>	<u>401,181</u>

Expenses relating to pension plans and employee benefits include service cost for the period. Expected return on plan assets and interest cost are included in *Financial income, net*.

The average number of employees (including executive directors) during 2012 and 2011 was 8227 and 7468, 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:

	<u>Year ended September 30,</u>	
	2012	2011
	Number	Number
Manufacturing and services	5,850	5,403
Sales and marketing	2,146	1,874
Research and development	230	191
	<u>8,227</u>	<u>7,468</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

9. Directors' emoluments

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

	<u>Year ended September 30,</u>	
	2012	2011
Emoluments receivable	3,585	2,895
Employer contributions to money purchase schemes	95	103
Compensation for loss of office	1,633	-
Equity settle share based payments	407	280
	<u>5,720</u>	<u>3,278</u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £3,201k (2011 £1,438k). Four directors are members of the Company's defined contribution scheme. None of the directors are members of a defined benefit scheme (2011 none). The accrued annual pension benefit of the highest paid director at the year-end was £nil (2011 £nil), and his accrued lump sum was £nil (2011 £nil). Share-based payments are described in note 28.

10. Interest income and interest expense

Interest income / (expense) is for all 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:

	<u>Year ended September 30,</u>	
	2012	2011
Interest income	7,693	5,482
Interest expense	(4,686)	(3,543)
Interest income, net	<u>3,007</u>	<u>1,939</u>
Thereof Interest income of operations, net	843	(299)
Thereof Other interest income, net	2,164	2,238

Interest expense of operations 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 discounting of long term provisions, finance lease interest, receivables from customers and payables to suppliers. *Other interest income* net includes all other interest amounts primarily consisting of interest relating to corporate debt and related hedging activities, as well as interest income on corporate assets.

The components of *Income from pension plans and similar commitments, net* were as follows:

	<u>Year ended September 30,</u>	
	2012	2011
Expected return on plan assets	138,906	104,800
Interest cost	(125,695)	(99,559)
Interest income from pension plans and similar commitments, net	<u>13,211</u>	<u>5,241</u>

Service cost for pension plans and similar commitments are allocated among functional costs (*Cost of goods sold and services rendered, Research and development expenses, Marketing and distribution expenses and Administrative expenses*).

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

11. Taxes

The analysis below is in reference to the total tax expense included in the statement of income

	<u>Year ended September 30,</u>	
	2012	2011
Current tax:		
UK corporation tax	26,418	3,302
Adjustments for prior year	4,579	(3,193)
	<u>30,997</u>	<u>109</u>
Deferred tax:		
Origination and reversal of timing differences - current year	21,471	17,277
Origination and reversal of timing differences - prior year	661	3,708
Deferred tax rate change adjustment	(6,039)	(4,005)
Tax expense	<u>47,090</u>	<u>17,089</u>

Of the deferred tax expense in 2012 and the deferred tax expense in 2011, £22,132k and £20,985k, respectively, relate to the origination and reversal of temporary differences

For the years ended September 30, 2012 and 2011, the Company was subject to UK corporation tax at a rate of 25% (26% during the 6 months to April 1, 2012 and 24% during the 6 months to September 30, 2012) and 27% (28% during the 6 months to April 1, 2011 and 26% during the 6 months to September 30, 2011) respectively. Total tax expense or credit differs from the amounts computed by applying the statutory UK tax rate as follows

	<u>Year ended September 30,</u>	
	2012	2011
Profit from continuing operations before tax	<u>167,709</u>	<u>59,604</u>
Tax charge at UK standard rate (25% / 27%)	41,927	16,093
Increase / (decrease) in taxes resulting from		
Non-deductible expenses	6,663	4,984
Research and development tax credit	(449)	(324)
Tax free gains from sales of business	(83)	-
Under provided in prior years – deferred tax	661	3,708
(Over) provided in prior years – current tax	4,579	(3,193)
Deferred tax rate change adjustment	(6,039)	(4,005)
Utilisation of unrecognised tax losses	(169)	(174)
Total tax expense for the year	<u>47,090</u>	<u>17,089</u>

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

The Finance Act 2012, which includes a reduction in the UK corporate tax rate to 24% from April 2012 and 23% from April 2013 has been enacted and so UK deferred tax assets and liabilities have been calculated accordingly at 23%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

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

	<u>Year ended September 30,</u>	
	2012	2011
Assets:		
Property, plant and equipment	3,092	7,960
Pension plans and similar commitments	59,330	-
Provisions	867	6,179
Deferred tax assets	<u>63,289</u>	<u>14,139</u>
Liabilities:		
Other intangible assets	(6,393)	(3,752)
Pension plans and similar commitments	-	(10,512)
Deferred tax liabilities	<u>(6,393)</u>	<u>(14,264)</u>
Total deferred tax assets / (liabilities), net	<u>56,896</u>	<u>(125)</u>

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

As of September 30, 2012 the Company had £1,610k (2011: £1,239k) of gross tax loss carry forwards.

Deferred tax assets have not been recognised in respect of the following items:

	<u>Year ended September 30,</u>	
	2012	2011
Tax loss carried forward	<u>1,610</u>	<u>1,239</u>

The UK government intends to reduce the UK corporate income tax rate further, to 21%, which will be enacted in the subsequent Finance Bill. Consequently, the Company will only recognise the impact of the rate change which is substantively enacted at that time in its financial statements. However, for indicative purposes only, the effect of the proposed reduction in the corporate income tax rate for each year on the gross deferred tax balance as at September 30, 2012 is shown below:

	Deferred tax asset
Year ended September 30, 2013 (proposed tax rate = 21%)	51,948
Year ended September 30, 2014 (proposed tax rate = 21%)	51,948

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

12. Trade and other receivables

	<u>September 30,</u>	
	2012	2011
Trade receivables from the sale of goods and services	185,828	133,468
Receivables from group companies	522,512	421,275
Receivables from sales and finance leases	7,146	7,617
	<u>715,486</u>	<u>562,360</u>

During 2012 the Company has sold *trade receivables from the sale of goods and services* to Siemens AG and received cash back amounting to £75.7m, net (2011 £24.1m). As at September 30, 2012 an amount of £9.7m (2011 £91m) has been included in *receivables from group companies* relating to balances which have been sold to Siemens AG.

As at September 30, 2012, *receivables from group companies* includes a net amount receivable from Siemens Holdings plc of £234m (2011 £101m), including interest bearing loans of £435m (2011 £299m). The interest rates on these loans ranged from 0.705% to 0.79125%.

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

	<u>Year ended September 30,</u>	
	2012	2011
Valuation allowance as of beginning of year	(5,134)	(4,018)
Creation	(2,096)	(1,418)
Usage	23	196
Reversal	2,370	106
Transfer in from group companies	(3,065)	-
Valuation allowance as of year-end	<u>(7,902)</u>	<u>(5,134)</u>

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

	<u>Year ended September 30,</u>		<u>Year ended September 30,</u>	
	2012		2011	
	Gross	Allowance	Gross	Allowance
Current	147,569	(1,056)	112,202	(127)
30 days overdue	27,993	(83)	14,235	(121)
31 – 60 days overdue	7,138	(109)	5,430	(108)
61 – 90 days overdue	1,855	(104)	1,884	(290)
91+ days overdue	9,176	(6,551)	4,851	(4,488)
	<u>193,730</u>	<u>(7,902)</u>	<u>138,602</u>	<u>(5,134)</u>

Receivables from finance leases are presented in the statement of financial position as follows:

	<u>Year ended September 30,</u>	
	2012	2011
Receivables from finance leases, current	7,146	7,617
Receivables from finance leases, long-term portion (see note 20)	37,294	27,280
	<u>44,440</u>	<u>34,897</u>
<i>Thereof Technical machinery & equipment</i>	44,440	34,897

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Minimum future lease payments to be received are as follows

Year

2013	10,123
2014	9,945
2015	9,888
2016	9,594
2017	5,378
Thereafter	8,517
Minimum future lease payments	<u>53,444</u>

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

	<u>September 30,</u> 2012	2011
Minimum future lease payments/ gross investment in leases	53,444	40,829
Less Unearned finance income	(9,004)	(5,932)
Net investment in leases	<u>44,440</u>	<u>34,897</u>

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

	<u>September 30,</u> 2012	2011
Gross investment in leases	53,444	40,829
Within 1 year	10,123	9,086
1 to 5 years	34,804	27,573
Thereafter	8,517	4,170
Present value of minimum lease payments receivable	44,440	34,897
Within 1 year	9,403	7,617
1 to 5 years	28,052	23,789
Thereafter	6,985	3,491

Investments in finance leases relate primarily to the Infrastructure & Cities and Healthcare sectors. Actual cash flows will vary from contractual maturities due to future sales of finance receivables, prepayments and write-offs.

13. Other current financial assets

	<u>September 30,</u> 2012	2011
Derivative financial instruments	29,337	2,902
Other current financial assets	4,536	6,603
	<u>33,873</u>	<u>9,505</u>

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

14 Inventories

	<u>September 30,</u> 2012	2011
Raw materials and supplies	7,988	10,265
Work in progress	19,026	24,116
Costs and earnings in excess of billings on uncompleted contracts	164,581	217,716
Finished goods and products held for resale	50,940	53,678
Advances to suppliers	7,808	13,293
	<hr/> 250,343	<hr/> 319,068
Advance payments received	(36,362)	(20,400)
	<hr/> 213,981	<hr/> 298,668

Costs of goods sold and services rendered include inventories recognised as an expense amounting to £2,913,561k and £2,274,970k, respectively in 2012 and 2011

The aggregate amount of costs incurred and recognised profits less recognised losses for construction contracts in progress as of September 30, 2012 and 2011 amounted to £5,171,345k and £3,403,020k, respectively. Advance payments received on construction contracts in progress were £289,775k and £264,376k as of September 30, 2012 and 2011. Revenue from construction contracts amounted to £2,263,016k and £1,560,292k, respectively for September 30, 2012 and 2011. The amount of retentions for the year ended September 30, 2012 and 2011 are nil and £789k respectively.

Costs and earnings in excess of billings on uncompleted contracts relates to construction contracts with net asset balances where contract costs plus recognised profits less recognised losses exceed progress billings. Liabilities from contracts for which progress billings exceed costs and recognised profits less recognised losses are recognised in *Other current liabilities*.

15. Other current assets

	<u>September 30,</u> 2012	2011
Prepaid expenses	19,204	12,310
Other	9,910	12,750
	<hr/> 29,114	<hr/> 25,060

16. Goodwill

	<u>September 30,</u> 2012	2011
Cost		
Balance at beginning of year	174,551	171,970
Acquisitions through business combinations	83,162	2,581
Dispositions and reclassifications to assets held for disposal	(44)	-
Balance at end of year	<hr/> 257,669	<hr/> 174,551
Accumulated impairment losses		
Balance at beginning of year	(63,473)	(63,473)
Balance at end of year	<hr/> (63,473)	<hr/> (63,473)
Net book value		
Balance at beginning of year	111,078	108,497
Balance at end of year	194,196	111,078

In 2012, the increase in goodwill of £83,162k relates to the acquisition of the trade and assets of Siemens VAI Metals Technologies Limited. In 2011, the increase in goodwill of £2,581k relates to the acquisition of the trade and assets of Poseidon International Limited and Bennex UK Branch.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

The Company tests at least annually whether goodwill suffered any impairment, in accordance with the accounting policy stated in note 2. Key assumptions on which management has based its determinations of the fair value less costs to sell for the Divisions' or equivalents' carrying amount include terminal value growth rates up to 1.5% in fiscal 2012, and after-tax discount rates of 7.0% to 9.5% in fiscal 2012. Where possible, reference to market prices is made.

For the purpose of estimating the recoverable amount, cash flows were projected based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions.

Discount rates reflect the current market assessment of the risks specific to the Company's operating divisions and are based on the weighted average cost of capital for the operating divisions. Terminal value growth rates take into consideration external macroeconomic sources of data.

The calculation of the recoverable amount is driven by volume growth assumptions over 5 years as well as by the terminal value. Over the 5 year forecast period, the compound annual revenue growth rate divisional average was 4.4%.

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

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

17. Other intangible assets

	Development costs	Software	Patents, licences & similar rights	Other*	Total
Cost					
At October 1, 2010	463	34,713	24,892	20,386	80,454
Additions	101	2,675	76	-	2,852
Transfers from / (to) group companies	-	-	417	(1,846)	(1,429)
Retirements	(104)	(1,141)	(459)	-	(1,704)
At September 30, 2011	460	36,247	24,926	18,540	80,173
At October 1, 2011	460	36,247	24,926	18,540	80,173
Additions	232	1,399	81	-	1,712
Transfers from / (to) group companies	-	-	11,395	8,551	19,946
Retirements	-	(30)	-	-	(30)
At September 30, 2012	692	37,616	36,402	27,091	101,801
Amortisation					
At October 1, 2010	126	24,421	16,204	-	40,751
Charge for the year	72	3,991	1,826	-	5,889
Retirements	-	(1,141)	(459)	-	(1,600)
At September 30, 2011	198	27,271	17,571	-	45,040
At October 1, 2011	198	27,271	17,571	-	45,040
Charge for the year	95	3,622	2,548	3,602	9,867
Retirements	-	3	-	-	3
Transfers in from group companies	-	-	1,441	-	1,441
At September 30, 2012	293	30,896	21,560	3,602	56,351
Net book value					
At October 1, 2010	337	10,292	8,688	20,386	39,703
At September 30, 2011 and October 1, 2011	262	8,976	7,355	18,540	35,133
At September, 30 2012	399	6,720	14,842	23,489	45,450

Amortisation expense on intangible assets is included in *Costs of goods sold and services rendered*, *Research and development expenses* or *Marketing and distribution expenses and Administrative expenses*, depending on the use of the asset

The development cost relates to the development of the graphical man machine interface (MMI) (display on the cab radio) in Mobility and Logistics division and the smart production office in Smart Grid division. The MMI was developed due to limitations on the text version in certain markets and due to the requirement to replicate characters in a certain language. This project is now complete and has an expected useful life of 5 years (1 year 3 months remaining). The smart production office is a new suite of applications and process that are needed to enable the business to participate in the new smart metering (residential) market. The useful life is expected to be 3 years. Development costs are described in note 2.

*Other intangible assets have arisen due to business integrations of other Siemens group companies into Siemens plc in 2009 and 2012.

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

18. Property, plant and equipment

	Investment property	Land & buildings	Technical machinery & equipment	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Cost						
At October 1, 2010	15,470	150,645	88,154	65,492	10,233	329,994
Additions	1,922	2,828	4,355	8,310	26,472	43,887
Transfers from / (to) group companies	9,397	1,028	378	827	-	11,630
Disposals	(1,541)	-	(10,033)	(6,259)	-	(17,833)
Dispositions & reclassifications to assets held for disposal	-	158	4,681	861	(5,700)	-
At September 30, 2011	25,248	154,659	87,535	69,231	31,005	367,678
At October 1, 2011	25,248	154,659	87,535	69,231	31,005	367,678
Additions	-	35,989	3,543	9,634	14,695	63,861
Transfers from group companies	-	2	1,569	2,380	(92)	3,858
Reclassification of assets	-	19,423	3,701	2,392	(25,516)	-
Disposals	-	(10,026)	(4,455)	(2,977)	(24)	(17,482)
At September 30, 2012	25,248	200,046	91,893	80,660	20,068	417,915
Accumulated depreciation and impairment						
At October 1, 2010	5,135	37,415	53,984	51,023	-	147,557
Charge for the year	1,717	4,894	12,049	6,204	-	24,864
Disposals	(1,022)	-	(9,202)	(6,537)	-	(16,761)
Transfers from group companies	3,698	919	324	589	-	5,530
Reclassification of assets	-	178	(1)	(177)	-	-
At September 30, 2011	9,528	43,406	57,154	51,102	-	161,190
At October 1, 2011	9,528	43,406	57,154	51,102	-	161,190
Charge for the year	-	6,798	7,739	7,266	-	21,803
Transfers from group companies	-	-	1,137	2,159	-	3,296
Reclassification of assets	-	-	(824)	824	-	-
Disposals	-	(5,881)	(4,306)	(2,472)	-	(12,659)
Impairment	-	14,266	-	-	-	14,266
At September 30, 2012	9,528	58,589	60,900	58,879	-	187,896
Net book value						
At October 1, 2010	10,335	113,230	34,170	14,469	10,233	182,437
At September 30, 2011 and October 1 2011	15,720	111,253	30,381	18,129	31,005	206,488
At September 30, 2012	15,720	141,457	30,993	21,781	20,068	230,019

During the year property managed by Siemens Real Estate was impaired by £14.3m based on value in use impairment testing

As of September 30, 2012 contractual commitments for the purchase of property, plant and equipment amounted to £4.0m

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

The fair value of investment properties as at September 30, 2012 was £16.8m (2011: £10.2m (restated)). The fair value of investment properties is lower than the net book value due to some properties having higher value in use than fair value. No impairments have been identified for these properties.

The fair value of investment properties represents the market value of the properties calculated by the use of the definition of "market value" as prescribed by the Royal Institution of Chartered Surveyors (RICS) Valuation Standards 6th Edition. Market Value is described in Practice Statement 3.2 and the interpretative comment on Market Value, as published in International Valuation Standards 1, has been applied. Market Value is described by the RICS as follows -

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"

As of September 30, 2012 the Company, as a lessor, is expecting to receive future payments under non-cancellable operating leases as follows:

Not later than one year	10,958
Later than one year and not later than five years	18,606
Later than five years	29,243

Payments from lessees under operating leases primarily relate to leasing of properties and train depots by Siemens plc. Total contingent rent recognised in income was nil in 2012 and 2011.

19 Investments

	Shares in subsidiary undertakings
Cost	
At October 1, 2010	825
Additions	869
Disposals	(90)
At September 30, 2011	1,604
At October 1, 2011	1,604
Additions	2,260
Disposals	(3,864)
At September 30, 2012	-
Provisions	
At October 1, 2010	90
Disposals	(90)
At September 30, 2011	-
At October 1, 2011	-
Disposals	-
At September 30, 2012	-
Net book value	
At October 1, 2010	735
At October 1, 2011	1,604
At September 30, 2012	-

In 2012, the Company increased its shareholding to 35.2% and subsequently disposed of its investments in Manne Current Turbines Limited to Siemens AG.

In 2011, the Company disposed of its investments in Siemens Electronic Assembly Systems Limited. The increase in investments relates to an additional investment made in Manne Current Turbines Limited, increasing the shareholding to 17.8%. The Company held 38.5% of the voting rights of Manne Current Turbines Limited.

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

20. Other financial assets

	<u>September 30,</u> 2012	2011
Receivables from sales and finance leases (see note 12)	37,294	27,280
Other financial assets	403	1,832
Derivative financial instruments	1,379	-
	<u>39,076</u>	<u>29,112</u>

21 Other current financial liabilities

	<u>September 30,</u> 2012	2011
Derivative financial instruments	14,317	12,846
Other financial liabilities	6,832	5,514
	<u>21,149</u>	<u>18,360</u>

22. Trade payables

	<u>September 30,</u> 2012	2011
Amounts due to group companies	24,839	170,987
Trade payables	215,015	166,402
	<u>239,854</u>	<u>337,389</u>

The significant reduction in Trade Payables *amounts due to group companies* is in relation to the increased progress made in achieving construction contract milestones which in turn triggered payments to intercompany suppliers

23. Other current liabilities

	<u>September 30,</u> 2012	2011
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	375,655	339,959
Payroll and social security taxes	20,511	30,091
Bonus obligations	38,970	25,649
Other employee related costs	8,362	6,633
Other tax liabilities	61,184	101,808
Deferred income	37,159	39,386
Other accrued liabilities	26,307	19,378
Short term debt	781	742
	<u>568,929</u>	<u>563,646</u>

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

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

24 Pension plans and similar commitments

Siemens Benefits Scheme

Defined contribution plan

The Company participates in a defined contribution pension plan. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £33,536k (2011: £29,640k).

Defined benefit plan

Siemens Benefits Scheme ('SBS') is a defined benefit scheme with assets held in separate trustee administered funds. The Company participates in this scheme which provides benefits based on final pensionable pay. The Company's share of the scheme is analysed below.

Movement in the company's share of the funded status during the year

	<u>September 30,</u> 2012	2011
Company's share of the funded status of the scheme at beginning of year	81,410	(162,329)
Current service cost	(1,470)	(1,126)
Past service cost	-	(235)
Contributions paid	66,927	131,408
Settlement (losses) arising from transactions with former group company	(52,558)	(106,656)
Transfer from other group company	11,065	-
Other finance income	13,105	5,137
Actuarial (loss) / gain	(356,068)	215,211
Company's share of the funded status of the scheme at the end of the year - (deficit) / surplus	<u>(237,589)</u>	<u>81,410</u>

The disclosures which follow are for the group share of the Siemens Benefits Scheme.

The movement in the scheme deficit is split between operating charges and finance items, which are charged to the Statement of Income, and actuarial 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 IAS19 in order to assess the liabilities of the SBS at September 30, 2012. The SBS's assets are stated at their market values at September 30, 2012.

Employer contributions to the DB section of the SBS in 2012/2013 are estimated to be £136m.

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. An allowance for scheme expenses and PPF levies is offset against the expected return on assets.

The valuation used for IAS19 disclosures has been based on a full assessment of the liabilities of the SBS as at September 30, 2012. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

The defined benefit sections of the SBS 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 SBS approach retirement.

Actuarial 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

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

Actuarial assumptions

Main financial assumptions

	2012 % p.a.	2011 % p.a.
Inflation (RPI)	2.6	3.2
Inflation (CPI)	1.6	2.2
Rate of general long-term increase in salaries*	3.5	4.1
Rate of increase to pensions in payment		
inflation capped at 5%	2.6	3.1
inflation capped at 3%	2.1	2.4
inflation with a floor of 3% and a cap of 5%	3.4	3.7
Discount rate for scheme liabilities	4.4	5.7

*There is a promotional scale on top of this assumption

Mortality assumptions

The post retirement mortality assumptions are based on standard SAPS tables scaled by a factor of 82.5% for males and 92% for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2011 projections with a long term rate of improvement of 1% p.a.

On this basis, the assumptions imply that a current pensioner aged 60 will be expected to live on average for a further 28.4 years if they are male and for a further 29.7 years if they are female. For a member who retires in 2032 (i.e. 20 years from now) at age 60 the assumptions imply that they will live on average for a further 30.0 years after retirement if they are male and for a further 31.3 years after retirement if they are female.

	<u>September 30,</u>	
	2012	2011
Equities	647,481	526,895
Bonds	1,716,103	1,696,076
Property	122,081	124,115
Other / Cash	140,061	119,036
Total market value of assets *	<u>2,625,726</u>	<u>2,466,122</u>

At September 30, 2012, none of the fair value of scheme assets related to self-investment

Siemens employs a building block approach in determining the rate of return on SBS pension assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the benchmark asset allocation for the SBS. The total overall expected rate of return for 2012 was 6.5% per annum (2011: 6.5% per annum). A deduction is then made in respect of expenses and PPF Levy.

Reconciliation of funded status to Statement of Financial Position

	<u>September 30,</u>	
	2012	2011
Fair value of scheme assets	2,625,726	2,466,122
Present value of funded defined benefit obligations	(2,872,000)	(2,368,000)
(Deficit) / surplus recognised in the Statement of Financial Position	<u>(246,274)</u>	<u>98,122</u>

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Analysis of Statement of Income charge

	<u>September 30,</u> 2012	2011
Current service cost	1,637	10,349
Past service cost	-	235
Interest cost	131,494	139,883
Expected return on plan assets	(145,540)	(145,898)
Settlement loss	52,646	-
Expense recognised in the Statement of Income	<u>40,237</u>	<u>4,569</u>

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

	<u>September 30,</u> 2012	2011
Opening defined benefit obligation/Present value of scheme liabilities	2,368,000	2,756,182
Current service cost	1,637	10,349
Past service cost	-	235
Interest cost	131,494	139,883
Plan participants' contributions	15,453	9,469
National insurance rebates	451	378
Actuarial losses / (gains) on scheme liabilities*	405,014	(176,019)
Net benefits paid out	(91,296)	(83,331)
Net transfers in	47	-
Net transfers out	(16,300)	(3,355)
Settlements	57,500	-
Net increase / (decrease) in liabilities from acquisitions / disposals	-	(285,791)
Closing defined benefit obligation/Present value of scheme liabilities	<u>2,872,000</u>	<u>2,368,000</u>

* Includes changes to actuarial assumptions

Changes to the fair value of scheme assets during the year

	<u>September 30,</u> 2012	2011
Opening fair value of scheme assets	2,466,122	2,471,414
Expected return on assets	145,540	145,898
Actuarial gains on scheme assets	33,695	71,918
Contributions by the employer	67,160	149,531
Plan participants' contributions	15,453	9,469
National insurance rebates	451	378
Net benefits paid out	(91,296)	(83,331)
Net transfers in	47	-
Net transfers out	(16,300)	(3,355)
Settlements	4,854	-
Net increase / (decrease) in liabilities from acquisitions / disposals	-	(295,800)
Closing fair value of scheme assets	<u>2,625,726</u>	<u>2,466,122</u>

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Actual return on plan assets

	<u>September 30,</u>	
	2012	2011
Expected return on scheme assets	145,540	145,898
Actuarial gain on scheme assets	33,695	71,918
Actual return on scheme assets	<u>179,235</u>	<u>217,816</u>

Analysis of amounts recognised in Statement of Comprehensive Income

	<u>September 30,</u>	
	2012	2011
Total actuarial (losses) / gains	(371,319)	247,937
Cumulative amount of losses recognised in Statement of Comprehensive Income	(472,054)	(100,735)

History of asset values, DBO and (deficit) / surplus in scheme

	<u>September 30,</u>			
	2012	2011	2010	2009
	(£m)	(£m)	(£m)	(£m)
Fair value of scheme assets	2,625.7	2,466.1	2,471.4	2,036.8
Defined benefit obligation	(2,872.0)	(2,368.0)	(2,756.2)	(2,378.8)
(Deficit) / surplus in scheme	<u>(246.3)</u>	<u>98.1</u>	<u>(284.8)</u>	<u>(342.0)</u>

History of experience gains and losses

	<u>September 30,</u>			
	2012	2011	2010	2009
	(£m)	(£m)	(£m)	(£m)
Experience gains / (losses) on scheme assets	33.7	71.9	121.8	(203.8)
Experience (losses) / gains on scheme liabilities	(22.1)	(30.8)	18.3	40.6

Other pension schemes

The Company participated in four other schemes which provide benefits based on final pensionable pay - the Siemens Fire Safety and Security Scheme (PFP), ASI Robicon Limited Final Salary Pension Plan, the Electrum Pension Scheme and the Railways Pension Scheme (RPS) for the whole of the period. The Company is also a participating member in the VA Tech UK Pension Scheme.

Siemens plc is the principal employer of the ASI Robicon Limited Final Salary Pension Plan and of the Siemens Fire Safety Security (PFP) Pension Scheme and a participating employer in the Electrum Pension Scheme, the VA Tech UK Pension Scheme and the RPS where Siemens has its own section. The whole of the ASI Robicon Limited Final Salary Pension Plan, the Siemens Fire Safety Security (PFP) Pension Scheme and the RPS (section in the case of RPS) are included in the Company's financial statements. The Company's share of the Electrum Pension Scheme is also included in the financial statements for the first time. Due to the very limited nature of participation in the VA Tech UK Pension Scheme, this scheme is not included in the movements below.

On June 15, 2011 the benefits of the deferred members of the ASI Robicon Scheme were secured by a buy out with a third party insurance company. The residual balance due in respect of a final premium was paid in September 2012.

As of September 30, 2011, the pension scheme surpluses of the Siemens Fire Safety and Security Scheme (PFP) and the Railways Pension Scheme (RPS) were not carried on the balance sheet since they were not available to the Company. The movement in the funded position of the scheme is split between operating charges and finance items, which are charged to the Statement of Income, and actuarial gains and losses, which are charged to the Statement of Comprehensive Income.

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

The numbers shown in this disclosure have been based on numbers provided by qualified independent actuaries to take account of the requirements of IAS19 in order to assess the liabilities of the schemes at September 30, 2012. The Schemes' assets are stated at their market values at September 30, 2012.

Movement in the company's share of the funded status during the year

	<u>September 30,</u> 2012	2011
Company's share of net amount recognised of the schemes at beginning of year	(351)	(1,114)
Current service cost	(389)	(482)
Contributions paid	974	5,083
Other finance income	105	105
Settlement loss	(110)	(4,106)
Actuarial (loss) / gain	(1,329)	885
Change in unrecognised assets due to limit in para 58 (b)	722	(722)
Company's share of the net amount recognised of the schemes at the end of the year	<u>(378)</u>	<u>(351)</u>

Employer contributions to the DB sections of the Schemes in 2012/2013 are estimated to be £0.8m (2011: £0.8m).

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. They have also been excluded from the estimate of next year's employer contributions set out above. An allowance for scheme expenses and PPF levies is offset against the expected return on assets.

The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Actuarial 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.

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

	<u>September 30,</u> 2012 % p.a.	2011 % p.a.
Inflation (RPI)	2.6	3.2
Inflation (CPI)	1.6	2.2
Rate of general long-term increase in salaries*	3.5	4.1
Rate of increase to pensions in payment		
inflation capped at 5%	2.6	3.1
inflation capped at 3%	2.1	2.4
inflation with a floor of 3% and a cap of 5%	3.4	3.7
Discount rate for scheme liabilities	4.4	5.7

*There is a promotional scale on top of this assumption.

Mortality assumptions

The post-retirement mortality assumptions used in valuing the liabilities were based on the scheme appropriate standard tables published by the Institute and Faculty of Actuaries for males and females respectively. In addition, there is an allowance for future longevity improvements in line with the central CMI2011 projections with a long term rate of improvement of 1% p.a.

Expected return on assets

Siemens employs a building block approach in determining the rate of return on pension assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the benchmark asset allocation for the scheme. The total overall expected rate of return for 2012 was 6.5% per annum (2011: 6.5% per annum). A deduction is then made in respect of expenses and PPF Levy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

	<u>September 30,</u> 2012	2011
Equities	8,908	7,103
Corporate bonds	10,747	10,007
Other / Cash	211	563
Total market value of assets	<u>19,866</u>	<u>17,673</u>

At September 30, 2012, none of the fair value of schemes' assets related to self-investment

Reconciliation of funded status to Statement of Financial Position

	<u>September 30,</u> 2012	2011
Fair value of scheme assets	19,866	17,673
Present value of funded defined benefit obligations	(20,244)	(17,301)
	<u>(378)</u>	<u>372</u>
Irrecoverable surplus, effect of limit in para 58(b)	-	(722)
Liability recognised in the Statement of Financial Position	<u>(378)</u>	<u>(350)</u>

Analysis of Statement of Income charge

	<u>September 30,</u> 2012	2011
Current service cost	389	482
Interest cost	956	1,194
Expected return on plan assets	(1,061)	(1,299)
Settlement loss	110	4,106
Expense recognised in the Statement of Income	<u>394</u>	<u>4,483</u>

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

	<u>September 30,</u> 2012	2011
Opening defined benefit obligation/Present value of scheme liabilities	17,301	25,341
Current service cost	389	482
Interest cost	956	1,194
Settlement	(455)	(6,920)
Plan participants' contributions	293	261
Transfers in	363	-
Actuarial losses / (gains) on scheme liabilities*	1,995	(1,767)
Net benefits paid out	(598)	(1,290)
Closing defined benefit obligation/Present value of scheme liabilities	<u>20,244</u>	<u>17,301</u>

*Includes changes to the actuarial assumptions

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Changes to the fair value of scheme assets during the year

	<u>September 30,</u> 2012	2011
Opening fair value of scheme assets	17,673	24,228
Expected return on assets	1,061	1,299
Actuarial gains / (losses) on scheme assets	665	(882)
Contributions by the employer	974	5,083
Settlement	(565)	(11,026)
Plan participants' contributions	293	261
Transfers in	363	-
Net benefits paid out	(598)	(1,290)
Closing fair value of scheme assets	<u>19,866</u>	<u>17,673</u>

Actual return on plan assets

	<u>September 30,</u> 2012	2011
Expected return on scheme assets	1,061	1,299
Actuarial gain / (loss) on scheme assets	665	(882)
Actual return on scheme assets	<u>1,726</u>	<u>417</u>

Analysis of amounts recognised in Statement of Comprehensive Income

	<u>September 30,</u> 2012	2011
Total actuarial (losses) / gains	(1,330)	885
Change in irrecoverable surplus, effect of limit in para 58(b)	722	(722)
Total (loss) / gain in Statement of Comprehensive Income	<u>(608)</u>	<u>163</u>
Cumulative amount of losses recognised in other comprehensive income	<u>(3,714)</u>	<u>(3,106)</u>

History of asset values, DBO and surplus/deficit in scheme

	<u>September 30,</u> 2012	2011	2010	2009
	(£m)	(£m)	(£m)	(£m)
Fair value of scheme assets	20.2	17.7	24.2	56.1
Defined benefit obligation	(19.8)	(17.3)	(25.3)	(60.5)
Surplus / (deficit) in scheme	<u>0.4</u>	<u>0.4</u>	<u>(1.1)</u>	<u>(4.4)</u>

History of experience gains and losses

	<u>September 30,</u> 2012	2011	2010	2009
	(£m)	(£m)	(£m)	(£m)
Experience gains / (losses) on scheme assets	0.7	(0.9)	(0.7)	1.6
Experience losses on scheme liabilities	(0.8)	(0.1)	(0.4)	(0.3)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

25. Provisions

Provisions changed during 2012 as follows

	Warranties	Order related losses and risks	Asset retirement obligations	Onerous lease obligations	Other	Total
Balance at beginning of year	23,218	3,161	5,475	16,907	11,369	60,130
Additions	25,194	13,932	355	2,314	28,658	70,453
Usage	(5,439)	(3,247)	-	(3,003)	(5,694)	(17,383)
Reversals	(21,689)	(3,396)	(181)	(1,400)	(26,695)	(53,361)
Transfer in from group companies	10,530	4,627	-	-	22,866	38,023
Balance at end of year	31,814	15,077	5,649	14,818	30,504	97,862
Current provisions						77,782
Non-current provisions						20,080

Warranties

Warranties relate to products and services sold. A provision is made for product warranty claims to the extent that the Company has a current obligation under warranties given and based on historic warranty claims experience.

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 obligations

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

Onerous lease obligations

Onerous lease obligations are the aggregate value of estimated discounted cash flows related to the costs of fulfilling contracts, or if lower, the costs of terminating contracts. Onerous lease obligations represent liabilities in respect of vacant properties. A provision is created at the point in time it becomes probable that the property will become under utilised. During the year a review of all onerous lease obligations was performed in light of the current economic climate in the UK. It is anticipated that these properties should be disposed of within this time however given the current economic climate this will be closely monitored. The Company is currently marketing these properties in order to discharge the liability.

Other provisions

Other provisions are estimated obligations resulting from the future disposal of waste electrical and electronic equipment (WE&EE), royalties, legal matters and performance shortfall on Energy contracts.

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

26. Long-term debt

	<u>September 30,</u> 2012	2011
Liabilities under finance leases more than 1 year	200	200
Long term loan from group company	124,361	-
	<u>124,561</u>	<u>200</u>

Long-term debt includes a long term loan with Siemens Financieringsmaatschappij NV for £124,361k with the terms of a 5 year fixed maturity with an annual interest rate fixing. The current interest rate is 2.309000 and the next Interest Rate fixing is on April 4, 2013.

27. Other financial liabilities

	<u>September 30,</u> 2012	2011
Derivative financial instruments	11,944	826
	<u>11,944</u>	<u>826</u>

28. Share capital

	<u>September 30,</u> 2012	2011
Authorised share capital		
84,000,000 Ordinary shares of £1 each	84,000	84,000

Allotted, called up and fully paid:

	September 30, 2012		September 30, 2011	
	Number	£'000	Number	£'000
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000

29. Share-based payments

The information in this note is presented in respect of all Siemens UK companies and not only for Siemens plc. The expense charged to net income was not financially significant in any of the Siemens UK companies. Share-based payment plans at Siemens are designed as equity-settled plans as well as cash-settled plans. Total expense for share-based payment recognised in Siemens plc net income for continuing and discontinued operations amounted to £2,122k and £1,238k for the year ended September 30, 2012 and 2011 respectively, and refers primarily to equity-settled awards, including the Siemens AG employee share purchase program.

Stock option plans

There were no stock options issued as at September 30, 2012 and there will be none issued going forward. No further disclosures are therefore made in these financial statements for stock option plans.

Stock awards

In the first quarter of year ended September 30, 2005 Siemens AG introduced stock awards and phantom stock as another means for providing share-based payment to members of the managing board and other eligible employees. Stock awards are subject to a four year vesting period for awards granted up to fiscal year 2007, and a three year vesting period for awards granted thereafter. Upon expiration of the vesting period, the recipient receives Siemens shares without payment of consideration. Stock awards are usually forfeited if the grantee's employment with the Company terminates prior to the expiration of the vesting period. During the vesting period, grantees are not entitled to dividends. Stock awards may not be transferred, sold, pledged or otherwise encumbered. Stock awards may be settled in newly issued shares of common stock of

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Siemens AG, treasury stock or in cash The settlement method will be determined by the managing board and the supervisory board

Each year, Siemens AG decides whether or not to grant stock awards Stock awards may be granted only once a year within thirty days following the date of publication of the business results for the previous year The supervisory board decides annually after the end of each year how many stock awards to grant to the members and the managing board decides annually how many stock awards to grant to members of the top management of German and foreign subsidiaries and eligible employees

In the year ended September 30, 2012 Siemens AG granted 59,503 (2011 43,421) stock awards to 137 employees (year ended September 30, 2011 98 UK employees) Details on stock award activity and weighted average grant-date fair value are summarised in the table below

	Year ended September 30,			
	2012		2011	
	Awards	Weighted average grant-date fair value €	Awards	Weighted average grant-date fair value €
Nonvested, beginning of period	86,100	59.85	78,301	34.93
Granted	59,503	54.03	43,421	77.43
Vested	(34,809)	43.82	(21,735)	80.05
Forfeited	(3,968)	62.00	(13,887)	69.72
Nonvested, end of period	106,826	61.75	86,100	59.85

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 which resulted in a fair value of €54.03 and €77.43, respectively, per stock award granted in 2012 and 2011 Total fair value of stock awards granted in 2012 and 2011 amounted to €3,215k and €3,362k respectively

As of September 30, 2012, unrecognized compensation costs related to stock awards amounted to €41k (year ended September 30, 2011 €27k) which is expected to be recognised over a weighted average vesting period of 1.94 years (year ended September 30, 2011 1.79 years)

Share-matching plan

In the first quarter of fiscal 2010, Siemens issued a new Share Matching Plan (Share Matching Plan 2010) In contrast to the Share Matching Plan 2009 (described below), the Share Matching Plan 2010 is restricted to senior managers only Senior managers of Siemens AG and participating Siemens companies may invest a certain amount of their compensation in Siemens shares While for the Share Matching Plan 2009, the price of the investment shares was fixed at the resolution date, for the Share Matching Plan 2010 the shares are purchased at the market price at a predetermined date in the second quarter Up to the stipulated grant-dates in the first quarter of each fiscal year, senior managers have to decide on their investment amount for which investment shares are purchased The investment shares are then issued in the second quarter of the fiscal year In exchange, plan participants receive the right to one free share (matching share) for every three investment shares continuously held over a period of three years (vesting period) provided the plan participant has been continuously employed by Siemens AG or another Siemens company until the end of the vesting period During the vesting period, matching shares are not entitled to dividends The right to receive matching shares forfeits if the underlying investment shares are transferred, sold, pledged or otherwise encumbered The managing board and the supervisory board of Siemens AG will decide, each fiscal year, whether a new Share Matching Plan will be issued The fair value at grant date of investment shares resulting from the Share Matching Plan 2010 is €nil as the investment shares are offered at market price

In the first quarter of 2009, Siemens AG introduced the share matching plan to members of the managing board and senior management of Siemens companies Plan participants may invest a certain percentage of their compensation in Siemens shares at a predetermined price set at the resolution date (investment shares) In exchange, plan participants receive the right to one free share (matching share) for every three investment shares continuously held over a period of three years (vesting period) provided the plan participant has been continuously employed by Siemens plc or another Siemens company, until the end of the vesting period Up to the stipulated grant-dates in the first quarter of each fiscal year, employees may order the investment shares which are issued in the second quarter of the fiscal year

During the vesting period, matching shares are not entitled to dividends The right to receive matching shares forfeits if the underlying investment shares are transferred, sold, pledged or otherwise encumbered The managing board and the supervisory board of Siemens AG will decide each fiscal year, whether a new Share Matching Plan will be issued

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

In the first quarter of fiscal 2010, the Company introduced the Monthly Investment Plan as a further component of the Share Matching Plan. The Monthly Investment Plan is available for employees - other than senior managers - of Siemens AG and participating Siemens companies. Plan participants may invest a certain percentage of their compensation in Siemens shares on a monthly basis. The managing board of Siemens AG will decide annually, whether shares acquired under the Monthly Investment Plan (investment shares) may be transferred to the Share Matching Plan the following year. If the managing board of Siemens AG decide that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to one free share (matching share) for every three investment shares continuously held over a period of three years (vesting period) provided the plan participant had been continuously employed by Siemens AG or another Siemens company until the end of the vesting period. Up to the stipulated grant-dates in the first quarter of each fiscal year, employees may decide their participation in the Monthly Investment Plan and consequently the Share Matching Plan. The managing board will decide, each fiscal year, whether a new Monthly Investment Plan will be issued.

Investment shares are measured at fair value at grant date, which is determined as the market price of Siemens shares less the present value of expected dividends as investment shares do not carry dividend rights until they are issued in the second quarter, less the share price paid by the participating employee. The grant dates were November 30, 2008 and December 17, 2008 and the fair values were 3.47 EUR and 5.56 EUR per instrument respectively. The fair values of the resulting matching shares granted were 20.32 EUR and 21.34 EUR for grants made on November 30, 2008 and December 17, 2008 respectively. In the year ended September 30, 2012 Siemens AG granted 16,929 (2011: 17,220) shares to 862 (2011: 807) UK employees.

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

	Year ended September 30,			
	2012		2011	
	Awards	Weighted average grant-date fair value €	Awards	Weighted average grant-date fair value €
Nonvested, beginning of period	40,529	44.54	26,804	34.01
Granted	16,929	50.35	17,220	66.13
Vested	(15,601)	20.32	-	-
Forfeited	(5,938)	54.55	(3,495)	40.43
Nonvested, end of period	35,919	54.55	40,529	44.54

Total fair value of shares granted under the share matching plan in 2012 and 2011 amounted to €852k and €1,139k respectively.

As of September 30, 2012, unrecognized compensation costs related to the share matching plan amounted to €11k (2011: €14k), which is expected to be recognised over a weighted average vesting period of 0.9 years (2011: 1.0 years).

30. Commitments and contingencies

Guarantees and other commitments

The Company gave guarantees and performance bonds in respect of contractual obligations totalling £35,651k (2011: £24,846k).

As of September 30, 2012 future payment obligations under non-cancellable operating leases are as follows:

	Land & buildings	Technical plant & machinery	2012 Total	2011 Total
Due within one year	16,533	1,783	18,316	18,982
Due between one and two years	13,606	7,526	21,132	17,668
Due between two and three years	11,392	7,177	18,570	12,914
Due between three and four years	10,192	4,657	14,849	10,100
Due between four and five years	9,039	925	9,964	8,987
Due beyond five years	33,912	3	33,915	41,466

Total operating rental expense for the years ended September 30, 2012 and 2011 was £24,759k and £22,270k respectively. The Company has a number of short term leases with other group companies. Due to the short term nature, costs relating to these leases have not been included in the future payment obligations under non-cancellable leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Contingent liabilities

Gas insulated switchgear

On November 17, 2008 National Grid Electricity Transmission plc issued a claim in the High Court against Siemens AG together with other Siemens subsidiaries including the Company and other non-associated third party companies. On May 10, 2010 three EDF Energy Networks companies issued a claim in the High Court against Siemens AG together with other Siemens subsidiaries including the Company and other non-associated third party companies. Both actions, claim damages arising in consequence of the EU Commissions decision of January 24, 2007 relating to gas insulated switchgear. The Company and Siemens AG together with the other subsidiaries named in the claims will be vigorously defending these claims and, consequently, no provision has been recorded in these financial statements in respect of either of these claims.

31 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 items within the statement of financial position, that contain financial instruments.

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

	2012	2011
Financial assets		
Loans and receivables	757,869	601,971
Cash and cash equivalents	1,681	1,348
Derivatives designated in a hedge accounting relationship	22,100	1,835
Derivatives not designated in a hedge accounting relationship	5,909	1,067
	787,558	606,221
Financial liabilities		
Financial liabilities measured at amortised cost	258,630	343,930
Derivatives designated in a hedge accounting relationship	4,555	12,585
Derivatives not designated in a hedge accounting relationship	2,978	261
	266,164	356,776

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

	2012	2011
Financial assets measured at cost or amortised cost		
Cash and cash equivalents	1,681	1,348
Trade and other receivables	715,486	562,360
Other current financial assets	4,536	6,603
Other assets	37,847	33,008
	759,550	603,319
Financial liabilities measured at cost or amortised cost		
Trade payables	239,854	337,389
Other current financial liabilities	6,832	5,514
Other financial liabilities	11,944	1,027
	258,630	343,930

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 financial 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.

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Long-term fixed-rate and variable-rate receivables, including receivables from finance leases, are evaluated by the Company based on parameters such as interest rates, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As of September 30, 2012 and 2011, the carrying amounts of such receivables, net of allowances, approximate their fair values.

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

	2012	2011
Financial assets measured at fair value		
Derivative financial instruments	30,716	2,902
<i>Without hedging relationship</i>	5,909	1,067
<i>In connection with fair value hedges</i>	17,389	1,650
<i>In connection with cash flow hedges</i>	4,710	185
<i>Embedded derivatives</i>	2,707	-
Financial liabilities measured at fair value		
Derivative financial instruments	14,317	12,846
<i>Without hedging relationship</i>	2,978	261
<i>In connection with fair value hedges</i>	1,370	6,251
<i>In connection with cash flow hedges</i>	3,185	6,334
<i>Embedded derivatives</i>	6,784	-

The Company limits default risks in derivative instruments by a careful counterparty selection. Derivative instruments are principally transacted with financial institutions with investment grade credit ratings. The fair valuation of derivative instruments at Siemens plc incorporates all factors that market participants would consider, including an adequate consideration of the counterparties' credit risks. This assures that the counterparties' credit risks themselves as well as any changes in the counterparties' credit worthiness are included in the fair valuation of the Company's derivative instruments and thus reflected in the financial statements. The exact calculation of fair values for derivative financial instruments depends on the specific type of instruments.

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 anticipated transactions) are taken into consideration.

Fair value hierarchy

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

- Level 1: assets and liabilities quoted in active markets where a fair value is readily available
- Level 2: derivatives where the fair value is determined based on techniques for which all significant inputs are observable, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data, for example financial guarantee contracts

All of the Company's derivative financial instruments as at September 30, 2012 and September 30, 2011 are categorised as level 2.

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

	2012	2011
Loans and receivables	(348)	(2,191)
Derivatives with a hedging relationship	(11,295)	(2,407)
Derivatives without a hedging relationship	6,614	598
Financial assets / (liabilities) measured at amortised cost	26	(1,432)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

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

Net gains / (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

Collateral held

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 values of each type of derivative financial instruments are as follows

	2012		2011	
	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	30,716	14,317	2,902	12,846
	<u>30,716</u>	<u>14,317</u>	<u>2,902</u>	<u>12,846</u>

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

Derivative financial instruments not designated as hedges

The Company manages its risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and anticipated transactions primarily through a company wide portfolio approach. This approach concentrates the associated company wide risks centrally, and various derivative financial instruments, primarily foreign exchange contracts, are utilised to minimise such risks. In certain cases this strategy qualifies for hedge accounting treatment under IAS 39. Where hedge accounting does not apply, all such derivative financial instruments are recorded at fair value on the statement of financial position, either as *Other current financial assets* or *Other current financial liabilities*, and changes in fair values are charged to *Cost of goods sold and services rendered* in the Statement of Income

Hedging activities

The Company applies hedge accounting for certain significant anticipated transactions and firm commitments denominated in foreign currency. Specifically, the Company entered into foreign exchange contracts to reduce the risk of variability of future cash flows resulting from highly probable forecasted sales and purchases and firm commitments resulting from its business units entering into long term contracts (project business) which are denominated primarily in Euros, Danish Kroner and U S Dollars

Fair value hedges — As of September 30, 2012 and 2011, the Company hedged firm commitments using forward exchange contracts that were designated as foreign currency fair value hedges of future sales related primarily to the Company's project business. As of September 30, 2012 and 2011 the hedging transactions resulted in the recognition of financial assets of £1,745k and £5,942k, respectively, and financial liabilities of £17,559k and £1,865k, respectively, for the hedged firm commitments, whose changes in fair value were charged to *Cost of goods sold and services rendered* in the Statement of Income. Gains on the fair value of the derivative contracts of £16,019k (2011: loss of £4,601k) were also recorded in *Cost of goods sold and services rendered* in the statement of income

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

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, 2012 and 2011, gains of £3,461k and losses of £935k respectively were reclassified from *Other comprehensive income* into net income because the occurrence of the related hedged forecasted transactions was no longer probable.

It is expected that £532k of net deferred gains 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, 2012, when the hedged forecasted foreign-currency denominated sales and purchases occur.

As of September 30, 2012 the maximum length of time over which the Company is hedging its future cash flows associated with foreign currency forecasted transactions is 31 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, amounts invested with / drawn down from Siemens AG as part of the cash pooling facility across the worldwide Siemens group and amounts borrowed with a long term arrangement from Siemens group companies.

The approximate impact on the Statement of Income of a 1% fluctuation in interest rates would be £2,196k in 2012 (2011 £3,142k).

Credit risk

The Company is exposed to credit risk in connection with its external sales and its property rental business. 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 property that serves as collateral declines, or if the projects Siemens has invested in are not successful. The continuing global 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, 2012, that defaults in payment obligations will occur.

Market risk

Market fluctuations may result in significant cash flow and profit volatility risk for Siemens plc. Its UK operating business as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and equity prices. To optimize the allocation of the financial resources across the groups, as well as to secure an optimal return for its shareholders, Siemens 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 this group, the Chief Financial Officer covers the specific responsibility for this part of the overall risk management system. At the highest level, the directors retain ultimate accountability. For practical business purposes, the directors delegate responsibilities to the key management.

Any market sensitive instruments, including equity and interest bearing investments that the Company's pension plans hold are not included in the following quantitative and qualitative disclosure. For additional information see note 24.

Equity price risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

Foreign currency exchange rate risk

Transaction risk and currency management

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

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

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

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

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

The tables below show the net foreign exchange transaction exposure by major currencies as of September 30, 2012 and 2011.

September 30, 2012	US\$	DKK	Euro	Other	Total
Gross balance sheet exposure	2,160	-	718	-	2,878
<i>Thereof: Financial asset</i>	2,963	-	13,167	-	16,130
<i>Thereof: Financial liabilities</i>	(802)	-	(12,449)	-	(13,251)
Gross exposure from firm commitments and anticipated transactions	10,863	12,631	(1,676)	(1,420)	20,397
	13,023	12,631	(958)	(1,420)	23,276
Foreign exchange transaction exposure					
Economically hedged exposure	(11,233)	(14,675)	(160)	846	(25,222)
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	179	(204)	(112)	(57)	(195)
September 30, 2011	US\$	DKK	Euro	Other	Total
Gross balance sheet exposure	(2,760)	-	607	(119)	(2,272)
<i>Thereof: Financial asset</i>	834	-	5,634	6	6,474
<i>Thereof: Financial liabilities</i>	(3,594)	-	(5,027)	(125)	(8,746)
Gross exposure from firm commitments and anticipated transactions	(5,327)	29,207	11,960	137	35,977
Foreign exchange transaction exposure	(8,087)	29,207	12,567	18	33,705
Economically hedged exposure	642	(29,207)	1,993	1,356	(25,216)
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(744)	0	1,456	137	849

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

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

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 arranged borrowing facilities with other Siemens Companies. Amounts payable to other group companies are repayable on demand, but historically other Siemens companies have not demanded repayment of these intercompany balances.

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

	2013	2014	2015 to 2016	2017 and thereafter
Non derivatives financial liabilities				
Trade payables	195,589	44,265	-	-
Other financial liabilities	6,832	12,188	-	-
Derivative financial liabilities	5,956	1,200	377	

Cash outflows for financial liabilities without fixed amount or timing including interest are based on conditions existing at September 30, 2012.

The Company has £24,839k (2011: £170,987k) 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 AG 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 loans from banks and other Siemens companies as stated on the Statement of Financial Position. The amounts receivable and due to group companies reported below are held with Siemens AG in the group cash pooling facility and sale of receivable facilities. For further information, refer to the Statement of Cash Flow.

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

	2012	2011
Cash and cash equivalents	1,681	1,348
Receivables from group companies	272,490	229,651
Total liquidity	274,171	230,999
Short term debt and current maturities of long term debt	781	742
Amounts due to group companies	-	4,274
Long term debt	124,561	200
Total debt	125,342	5,216
Net liquidity	148,829	225,783

In addition to the balances above, which are held with Siemens AG in the group cash pooling facility, receivables from group companies of £250,022k (2011: £191,624k), amounts due to group companies of £24,839k (2011: £166,713k) are held outside this facility. Historically other group companies have not demanded repayment of these intercompany balances.

Capital management

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

The current ratio for 2012 was 1.06 (2011: 0.93). The Company also has access to the Siemens AG cash pooling arrangement when necessary.

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

32 Related party transactions

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

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

	Sales of goods		Purchases of goods		Rental income and other services sold		Rental expense and other services purchased		Interest income		Interest expense	
	Year ended 2012	Year ended 2011	Year ended 2012	Year ended 2011	Year ended 2012	Year ended 2011	Year ended 2012	Year ended 2011	Year ended 2012	Year ended 2011	Year ended 2012	Year ended 2011
Parent company	-	-	-	-	2,975	4,467	-	-	3,528	3,287	-	-
Other Siemens group companies	522,989	235,593	1,747,618	1,328,885	171,453	150,517	-	-	701	378	2,443	2,349

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

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

	Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	2012	2011
Parent company	-	-	-	-
Other Siemens group companies	5,129	3,069	26,355	170,466

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

The values given above are disclosed within inventory as goods in transit in 2012 and 2011.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	2012	2011
Parent company	234,105	101,007	-	-
Other Siemens group companies	283,284	320,192	122,846	3,565

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.

In addition to the above, the Company has purchased the trade and assets of other Siemens group companies in the year. Details of these transactions have been disclosed in note 4.

SIEMENS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2012 and 2011 (in thousands of £)

33. 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*

	<u>Year ended September 30,</u>	
	2012	2011
Short-term employee benefits	3,585	2,895
Post-employment benefits	95	103
Share-based payments	407	280
Termination benefits	1,633	-

34. Directors transactions

Two directors received short term advances in the year to the value of £33k which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS24. The amounts were repaid within three months of issue and were non-interest bearing. No amount was outstanding as at September 30, 2012. No Such transactions occurred in 2011 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS24 with the directors.

35. Subsequent events

In November 2012, Siemens AG announced its strategy to divest its Logistics and Airport solutions and Water Technologies business units to further focus resources on core activities. At this point an estimation of the financial effects on Siemens plc cannot be made.

36. 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 accounts are prepared. Copies of the group accounts are available on the internet at www.siemens.com/annualreport or obtained from

Siemens AG
Wittelsbacherplatz 2
D-80333 Munich
Germany

The immediate parent undertaking is Siemens Holdings plc, a company incorporated in the United Kingdom