SIEMENS PLC
Annual report and financial statements
Registered number 727817
September 30, 2015

**SIEMENS PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2015**

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**SIEMENS PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2015**

The directors of Siemens Plc ("the Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2015.

## STRATEGIC REPORT

### 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, drive technology, 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.

### General business review - Statement of Income

Revenue decreased in the year by £977m (-36%) to £1,706m, primarily as a result of Wind Power Division where its major projects are reaching completion. Additionally the divestment of the Metals Technologies business during the year has resulted in a decrease in revenue of £82m in the current year. The Energy Management Division had a growth of 6%, with revenue increasing by £12m. Revenue in the Mobility Division is lower due to major supplies relating to London Midland and progression on the Thameslink depot contracts in the prior year.

The Company's operating profit has increased by £3m (+2%) to £131m. This is largely driven by lower administrative expenses in the current year, as no impairment of intangible assets was recognised in 2015 whereas £14m of intangibles were impaired in 2014. Other operating expenses were also lower, as £41m of goodwill relating to the Metals Technologies business was impaired in the prior year compared to a goodwill impairment in the current year of only £1m, within the Building Technologies Division. The current year disposal of the remaining goodwill balance in the Metals Technologies business has been partially offset by the gain on the disposal of the business, resulting in an overall gain on disposal of £110k. Furthermore £7m of goodwill was disposed of in the year relating mainly to the Mobility Division. Marketing and distribution expenses were also lower in the current year.

Net interest expense decreased by £6m, mainly due to a change in Siemens Financial Reporting Guidelines, which led to guarantee costs being recognised within projects rather than as interest expense. Furthermore, the termination of the loan with Siemens Financieringsmaatschappij during the year following the divestment of the Metals Technologies business has also led to a lower interest expense this year. Interest on pension plans increased by £12m, largely relating to the Siemens Benefits Scheme. Please refer to note 26 for further details.

There was no dividend income in the current year.

The Company made a profit for the financial year, net of taxation of £103m (2014: £74m) from its continuing operations.

The results of the Healthcare Division are being classified as discontinued operations in the Statement of Income due to its planned sale to Siemens Healthcare Limited on October 1, 2015. The Siemens AG Board made a strategic decision to separately manage the Healthcare Division, in order to provide more freedom, flexibility and greater autonomy over its business operations. Profit from discontinued operations, net of taxation, is £18m for the Healthcare Division. Please refer to note 4 for further details.

The performance in 2015 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. An evaluation of the potential impact of market factors is undertaken regularly by the management so that the Company can respond appropriately.

### General business review - Statement of Financial Position

The announcement of the separation of the Healthcare Division from Siemens Plc has resulted in the assets and liabilities associated with that business being classified as held for sale in the 2015 statutory accounts. Please refer to note 4 for further details

Total assets decreased by £216m, largely due to a decrease in trade and other receivables of £366m offset by an increase in inventories of £88m from costs in excess for projects within the Mobility Division. The reduction in trade and other receivables is mainly due to settlement of part of the intercompany loan receivables with Siemens Holdings plc and Siemens Finance B.V., Den Haag of £471m offset by an increase of £107m in cash pooling activities with Siemens AG. Goodwill decreased by £44m largely due to the separation of the Healthcare Division, resulting in goodwill being classified as held for disposal.

Total liabilities reduced by £108m mainly due to settlement of the loan for £124m following the sale of the Metals Technologies business. This is offset by an increase of £32m in deferred tax liabilities due to the increase in the pension asset and the reduction in the amount of tax relief for pension payments that has been spread to later years. Please refer to note 11 for further details.

Equity decreased by £108m mainly due to dividend payment of £275m offset by current year profit.

**General business review – Statement of Cash Flows**

Cash flows from operating activities is an inflow of £35m in the current year compared to £115m in the prior year. This is mainly due to an increased outflow in the current year of £25m in other long term assets mainly relating to prepaid lease costs within the Real Estate Division. The change in other long term liabilities is a cash outflow of £3m compared to a cash inflow of £10m in the prior year, which represents the increase in deferred income in the Real Estate Division for government grants in relation to the Hull factory. The change in other current assets is a cash outflow of £4m compared to a cash inflow of £4m in the prior year, due to an escrow balance being created in the year for liabilities associated with the Siemens Benefits Scheme. The cash outflow from current provisions has increased by £7m due to an increase in onerous loss provisions on orders for equipment in the Healthcare Division. Cash inflow from trade and other receivables has also reduced in the current year by £11m.

Cash flows from investing activities is an inflow of £13m compared to an outflow of £45m in the prior year. This is largely due to acquisitions of Electrium Sales Limited and Siemens Transmission and Distribution Limited in the prior year whereas there were no business acquisitions in the current year. Furthermore, the disposal of Metals Technologies in the year also resulted in a cash inflow of £33m.

Cash flows from financing activities is an outflow of £48m compared to £72m in the prior year. This is due to an overall decrease in intra group receivables of £321m. This inflow is offset by the settlement of the loan with Siemens Financieringsmaatschappij of £124m, following the sale of the Metals Technologies business. Furthermore, there has been an increase in dividend payment of £175m in the current year.

**Analysis of Financial Key Performance Indicators**

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

**New orders received**

New orders received in the year increased by £103m (4%) compared to the prior year. The increase in the year on year development was significantly impacted by the additional Eurostar option order intake within the Mobility Division.

Excluding the significant increase in the Mobility Division, the underlying orders decreased by 9%, with most businesses having a slight decrease as a result of lesser active projects.

**Principal risks and uncertainties**

The Company has implemented a co-ordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk. Risks which the Company faces include price and product competition, integration of acquired businesses, performance risks under long term fixed price contracts, loss of supply of product components, changes in the regulatory and legal environment, and credit and interest rate risks, which may increase due to the global shortage of credit. The Company has a diversified range of customers and revenue streams and provides products and services that support essential public services 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 flows from operations over the next 12 months. Additionally, Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Further information on these risks, and their potential impacts, can be found in the 2015 Siemens AG annual report.

For 2015, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

Signed by order of the board of directors

Claire Carless

C Carless
Company Secretary

Approved by the directors on December 14, 2015

Registered office:

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

## DIRECTORS' REPORT

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

| | |
|---|---|
| H C Carless | |
| M Ferraro | Appointed October 1, 2015 |
| A Hall | Resigned September 30, 2015 |
| J Maier | |
| G Smith | Appointed July 27, 2015, Resigned October 31, 2015 |

None of the directors holding office at September 30, 2015 had notified a beneficial interest in any contract to which the Company or its subsidiary undertakings were a party during the financial year.

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

## DIVIDENDS

Dividends of £275.2m representing £275.20 per share were paid to Siemens Holdings plc, for the year ended September 30, 2015 (2014: £100m).

## RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company spent £2,029k (2014: £3,378k, restated) on research and development. The restatement is due to the classification of the results of the Healthcare Division as discontinued operations.

## FINANCIAL INSTRUMENTS

The Company's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 32 to the financial statements.

## SUBSEQUENT EVENTS

The Company disposed of the trade and assets of the Healthcare Division for £224.7m on October 1, 2015. Further details are disclosed in note 4.

On October 1, 2015, the Company bought the trade and assets of Zenco Systems Limited, a fellow subsidiary of Siemens Holdings plc, for £9.6m. This will form part of the Mobility Division.

On October 1, 2015, the Company provided a short-term loan of £112,351k to its immediate parent, Siemens Holdings plc, for the purpose of funding Siemens Healthcare Limited. This loan will be reviewed for renewal periodically, but at least every 3 months.

## 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 and 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 DONATIONS

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

## DISCLOSURE OF INFORMATION TO THE AUDITOR

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

Claire Carless

C Carless
Director

Approved by the directors on December 14, 2015

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

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

## YEAR ENDED SEPTEMBER 30, 2015

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws in the United Kingdom 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;
- 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, 2015 which comprise the Statement of Income, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 37. 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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, 2015 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 Strategic Report and the Directors' Report for the financial year 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.

Ernst & Young LLP

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

15/12/2015

SIEMENS PLC

STATEMENT OF INCOME
**For the years ended September 30, 2015 and 2014 (in thousands of £)**

| | Note | 2015 | 2014 (Restated) |
|---|---|---|---|
| Revenue | 5 | **1,705,758** | 2,682,855 |
| Cost of sales | | **(1,464,651)** | (2,381,970) |
| **Gross profit** | | **241,107** | 300,885 |
| Research and development expenses | | **(2,029)** | (3,378) |
| Marketing and distribution expenses | | **(92,642)** | (102,189) |
| Administrative expenses | | **(2,623)** | (26,842) |
| Other operating expense | 7 | **(13,066)** | (40,367) |
| **Operating profit** | 6 | **130,747** | 128,109 |
| Interest income | 10 | **11,094** | 12,388 |
| Interest expense | 10 | **(18,992)** | (26,029) |
| Interest income from pension plans and similar commitments, net | 10 | **12,648** | 704 |
| Profit from continuing operations before tax | | **135,497** | 115,172 |
| Tax | 11 | **(32,188)** | (41,279) |
| Profit from continuing operations, net of tax | | **103,309** | 73,893 |
| Profit from discontinued operations, net of tax | 4 | **17,617** | 26,562 |
| **Profit for the financial year** | | **120,926** | 100,455 |

SIEMENS PLC

## STATEMENT OF COMPREHENSIVE INCOME
**For the years ended September 30, 2015 and 2014 (in thousands of £)**

| | Note | 2015 | 2014 (Restated) |
|---|---|---|---|
| **Profit for the financial year** | | **120,926** | 100,455 |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurements of defined benefit plans gains | 26 | **58,416** | 267,012 |
| Deferred tax charge on remeasurement gains | | **(11,553)** | (53,051) |
| Deemed capital contribution on acquisition of trade and assets of Siemens Transmission and Distribution Limited | | **-** | 81,869 |
| Effect due to asset ceiling in respect of the defined benefit pension scheme | 26 | **(649)** | (1,757) |
| | | **46,214** | 294,073 |
| **Total items that will not be reclassified to profit or loss** | | **46,214** | 294,073 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Gains on derivative financial instruments | 32 | **492** | 1,930 |
| Deferred tax charge on gains on derivative financial instruments | | **(98)** | (386) |
| | | **394** | 1,544 |
| **Total items that may be reclassified subsequently to profit or loss** | | **394** | 1,544 |
| **Other comprehensive income, net of tax** | | **46,608** | 295,617 |
| **Total comprehensive income** | | **167,534** | 396,072 |
| Attributable to: Owners of the Company | | **167,534** | 396,072 |

SIEMENS PLC

## STATEMENT OF FINANCIAL POSITION
## As of September 30, 2015 and 2014 (in thousands of £)

| | Note | 2015 | 2014 (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | - | 374 |
| Trade and other receivables | 13 | 557,892 | 924,382 |
| Other current financial assets | 14 | 35,603 | 24,563 |
| Inventories | 15 | 510,090 | 422,224 |
| Other current assets | 16 | 14,791 | 18,659 |
| Assets classified as held for disposal | 4 | 146,598 | 79,991 |
| **Total current assets** | | 1,264,974 | 1,470,193 |
| Goodwill | 17 | 358,394 | 402,734 |
| Other intangible assets | 18 | 43,643 | 46,539 |
| Investment properties | 19 | 12,694 | 12,959 |
| Property, plant and equipment | 19 | 182,357 | 209,913 |
| Other financial assets | 20 | 8,095 | 45,131 |
| Pension plans and similar assets | 26 | 347,767 | 276,505 |
| Deferred tax assets | 11 | 866 | 1,034 |
| Other assets | 21 | 38,603 | 8,002 |
| **Total non-current assets** | | 992,419 | 1,002,817 |
| **Total assets** | | 2,257,393 | 2,473,010 |
| **LIABILITIES AND EQUITY** | | | |
| Short-term debt | 25 | 710 | 1,267 |
| Trade payables | 23 | 171,728 | 176,193 |
| Other current financial liabilities | 22 | 13,280 | 18,006 |
| Current provisions | 27 | 41,250 | 62,709 |
| Corporation tax payable | | 15,536 | 38,720 |
| Other current liabilities | 24 | 472,863 | 470,437 |
| Liabilities associated with assets classified as held for disposal | 4 | 155,920 | 52,221 |
| **Total current liabilities** | | 871,287 | 819,553 |
| Long-term debt | 25 | 473,678 | 662,119 |
| Post-employment benefits | 26 | 1,719 | 2,009 |
| Provisions | 27 | 18,422 | 22,069 |
| Other liabilities | | 17,819 | 16,513 |
| Other financial liabilities | 28 | 292 | 936 |
| Deferred tax liabilities | 11 | 75,442 | 43,411 |
| **Total non-current liabilities** | | 587,372 | 747,057 |
| **Total liabilities** | | 1,458,659 | 1,566,610 |

SIEMENS PLC

**STATEMENT OF FINANCIAL POSITION**
**As of September 30, 2015 and 2014 (in thousands of £)**

| | | | |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 29 | **1,000** | 1,000 |
| Capital contribution reserve | | **383,660** | 383,660 |
| Cash flow hedging reserve | | **2,140** | 1,746 |
| Retained earnings | | **411,934** | 519,994 |
| **Total equity** | | **798,734** | 906,400 |
| **Total liabilities and equity** | | **2,257,393** | 2,473,010 |

These financial statements were approved and authorised for issue by the board of directors on December 14, 2015 and were signed on their behalf by:

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M Ferraro
Director

Registered number: 727817
Siemens Plc

SIEMENS PLC

## STATEMENT OF CASH FLOWS

**For the years ended September 30, 2015 and 2014 (in thousands of £)**

| | Note | 2015 | 2014 Restated |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit for the financial year | | **120,926** | 100,455 |
| Adjustments to reconcile profit to cash flows from operating activities | | | |
| Depreciation and amortisation | 6, 18, 19 | **36,038** | 43,833 |
| Taxes | 11 | **36,731** | 48,771 |
| Interest expense, net | 10 | **4,693** | 10,492 |
| Defined benefit pension income in Statement of Income | 26 | **(6,991)** | (1,234) |
| (Gains) / losses on disposal of property, plant and equipment, net | 7 | **(694)** | 2,217 |
| Gains on sales of investments / operations | 7 | **(120)** | (6,248) |
| Disposal of goodwill | 17 | **43,006** | 41,788 |
| Impairment of goodwill | 7, 17 | **1,334** | 44,795 |
| Impairment of property, plant and equipment | 6, 19 | **26** | - |
| Impairment of other intangible assets | 6, 18 | **-** | 14,938 |
| Other non-cash income | | **(492)** | (1,930) |
| Operating profit before changes in working capital and provisions | | **234,457** | 297,877 |
| Changes in assets and liabilities | | | |
| Inventories | | **(89,884)** | (85,391) |
| Trade and other receivables | | **32,704** | 43,925 |
| Other current assets | | **(3,517)** | 3,617 |
| Trade payables and accrued expenses | | **(40,979)** | (34,323) |
| Current provisions | | **(21,706)** | (14,974) |
| Other current liabilities | | **6,830** | (41,007) |
| Long term assets | | **(28,588)** | (3,635) |
| Long term liabilities | | **(2,955)** | 10,251 |
| Cash generated from operations | | **86,362** | 176,340 |
| Taxes paid | | **(39,302)** | (27,845) |
| Interest paid | | **(3,536)** | (19,599) |
| Defined benefit pension contributions paid | 26 | **(8,274)** | (13,752) |
| **Cash flows from operating activities** | | **35,250** | 115,144 |
| Cash flows from investing activities | | | |
| Additions to intangible assets and property, plant and equipment | 18, 19 | **(39,229)** | (30,422) |
| Divestment / (investment) in current financial assets | | **9,322** | (27,771) |
| Disposal of intangibles and property, plant and equipment | 18, 19 | **9,212** | 1,945 |
| Disposals of businesses, net of cash disposed | 4 | **33,298** | 17,027 |
| Sales / (purchase) of trade and assets of other entities | 4 | **-** | (5,783) |
| **Cash flows from investing activities** | | **12,603** | (45,004) |

**STATEMENT OF CASH FLOWS**
**For the years ended September 30, 2015 and 2014 (in thousands of £)**

| | | | |
|---|---|---|---|
| Cash flows from financing activities | | | |
| *Change in financing from other group companies* | 13, 23 | **415,230** | 93,730 |
| Dividends paid | 12 | **(275,200)** | (100,000) |
| Proceeds from issuance of long term debt | 25 | **(188,257)** | (65,777) |
| **Cash flows from financing activities** | | **(48,227)** | (72,047) |
| Change in cash and cash equivalents | | **(374)** | (1,907) |
| Cash and cash equivalents at the beginning of the year | | **374** | 2,281 |
| **Cash and cash equivalents at the end of the year** | | **-** | 374 |

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:

| | **2015** | 2014 |
|---|---|---|
| Net cash provided by operating activities – acquired operations | - | 11,491 |
| Net cash (used in) financing activities - acquired operations | - | (6,255) |

The cash flow statement above reflects the movements from continuing and discontinued operations. In 2015 the Company classed the Healthcare Division as discontinued. The cash and cash equivalents balance as at September 30, 2015 within this division was £nil (see note 4). The significant balances for the Healthcare Division were as follows:

| | **2015** | 2014 |
|---|---|---|
| Net cash provided by operating activities – discontinued operations | 52,206 | 57,562 |
| Net cash (used in) investing activities – discontinued operations | (3,086) | (3,403) |
| Net cash used in financing activities - discontinued operations | (49,119) | (54,159) |

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

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

## STATEMENT OF CHANGES IN EQUITY
### For the years ended September 30, 2015 and 2014 (in thousands of £)

| | Note | Share capital | Capital contribution reserve | Cash flow hedging reserve | Retained earnings (Restated) | Total equity (Restated) |
|---|---|---|---|---|---|---|
| Brought forward October 1, 2013 | | 1,000 | 301,791 | 202 | 307,335 | 610,328 |
| Profit for the financial year | | - | - | - | 100,455 | 100,455 |
| Other comprehensive income, net of tax | | - | 81,869 | 1,544 | 212,204 | 295,617 |
| **Total comprehensive income for the financial year** | | - | 81,869 | 1,544 | 312,659 | 396,072 |
| Equity settled share based payments | | - | (1,513) | - | - | (1,513) |
| Recharge from ultimate parent undertaking | | - | 1,513 | - | - | 1,513 |
| Dividends to equity holders | 12 | - | - | - | (100,000) | (100,000) |
| **Balance at September 30, 2014** | | 1,000 | 383,660 | 1,746 | 519,994 | 906,400 |
| Brought forward October 1, 2014 | | **1,000** | **383,660** | **1,746** | **519,994** | **906,400** |
| Profit for the financial year | | - | - | | **120,926** | **120,926** |
| Other comprehensive income, net of tax | | - | - | **394** | **46,214** | **46,608** |
| **Total comprehensive income for the financial year** | | - | - | **394** | **167,140** | **167,534** |
| Equity settled share based payments | | - | **(1,789)** | - | - | **(1,789)** |
| Recharge from ultimate parent undertaking | | - | **1,789** | - | - | **1,789** |
| Dividends to equity holders | 12 | - | - | - | **(275,200)** | **(275,200)** |
| **Balance at September 30, 2015** | | **1,000** | **383,660** | **2,140** | **411,934** | **798,734** |

**Cash flow hedging reserve**

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

**Capital contribution reserve**

Certain directors and senior managers of the Company are eligible for share options and stock awards and all employees are eligible to join the share matching plan in the ultimate parent undertaking, Siemens AG. These share options are awarded directly by the ultimate parent undertaking, who requires the Company to make a payment (equal to the fair value of the options at grant date or the costs incurred by the ultimate parent undertaking, depending on the grant date) to reimburse it for the granting of these rights. The capital contribution reserve is used to recognise the Company's share-based payment expense in respect of the share matching plan. The payments made to Siemens AG are deducted from this reserve to the extent that the costs have already been recognised. Any additional payments are charged directly to the Statement of Income. Further details in respect of the share-based payment plans for all Siemens companies in the UK have been made in note 31.

**Other comprehensive income**

Other comprehensive income is allocated to retained earnings with the exception of £394k (2014: £1,544k) which relates to gains on derivative financial instruments. This is allocated to the cash flow hedging reserve.

## 1. Basis of presentation

The accompanying financial statements present the operations of the Company and have been prepared and approved by the directors in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU 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 or £) 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 portfolio of activities.

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 2015. In these financial statements, the term 'group' refers to all companies for whom the ultimate parent undertaking is Siemens AG. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

For 2015, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next twelve months. Thus the Company continues to adopt the going concern basis of preparation for the financial statements.

Restatements in these financial statements relate to the results of the Healthcare Division being classified as discontinued operations and the reclassification of operating leases to finance leases from a Siemens Plc legal entity point of view. For further information, please refer to notes 4 and 2 respectively.

## 2. Summary of significant accounting policies

**Business combinations** — Business combinations (other than those from Siemens group companies) are accounted for under the acquisition method. Siemens Plc as the acquirer and the acquiree may have a relationship that existed before they contemplated the business combination, referred to as a pre-existing relationship. If the business combination in effect settles a pre-existing relationship, Siemens Plc as the acquirer recognises a gain or loss for the pre-existing relationship. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Any contingent consideration to be transferred by Siemens Plc as the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured; subsequent settlement is accounted for within equity. Acquisition-related costs are expensed in the period incurred. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Uniform accounting policies are applied. 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 and goodwill is only recorded by the acquiring company if the goodwill was already an asset on the acquired company's Statement of Financial Position, or if the goodwill value was previously included in the carrying value of the acquiring company's investment in the subsidiary undertaking from which the trade has been purchased.
- at the fair value of the assets acquired and liabilities incurred or assumed at the date of exchange ('fair value'). Goodwill is recorded by the acquiring company as the difference between the fair value and the consideration paid to the selling company.

**Foreign currency transactions** — Transactions that are denominated in a currency other than the functional currency of an entity are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognised. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are re-valued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognised in the Statement of Income. Those foreign currency-denominated transactions which are classified as non-monetary are remeasured using the historical spot exchange rate.

**Revenue recognition** — Under the condition that persuasive evidence of an arrangement exists, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks the revenue recognised is subject to the amount of payments irrevocably received. Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

*Sale of goods*: Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

If product sales are subject to customer acceptance, revenue is not recognised until customer acceptance occurs.

*Sales from construction contracts:* A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. When the outcome of a construction contract can be estimated reliably, revenues from construction-type projects are recognised under the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated contract costs. An expected loss on the construction contract is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably (1) revenue is recognised only to the extent contract costs incurred are probable of being recoverable, and (2) contract costs are recognised as an expense in the period in which they are incurred. During project execution, variation orders by the customer for a change in the scope of the work to be performed under the contract may be received leading to an increase or a decrease in contract revenue. Examples of such variations are changes in the specifications or design of the asset and changes in the duration of the contract. As the scope of work to be performed changes also in case of contract terminations, such terminations are considered to be a subset of variations. Therefore the requirements of IAS 11 relating to variations are applied to contract terminations, irrespective of whether the contract is terminated by the customer, the Company or both. In accordance with the requirements of IAS 11 relating to changes in estimates, the estimates of the total contract revenue and the total contract costs are adjusted reflecting the reduced scope of work to be performed, typically leading to a reversal of revenue recognised. This methodology is also applied to contracts for which it is management's best estimate that a termination is the most likely scenario, but which have not yet been terminated.

*Rendering of services*: 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. under the percentage-of-completion method as described above.

*Sales from multiple element arrangements*: 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. If certain criteria are met, foremost if the delivered element(s) has (have) value to the customer on a stand-alone basis, the arrangement is separated and 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. However, if in rare cases fair value evidence is available for the undelivered but not for one or more of the delivered elements, the amount allocated to the delivered element(s) equals the total arrangement consideration less the aggregate fair value of the undelivered element(s) (residual method). If the criteria for the separation of units of accounting are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

*Income from lease arrangements*: Operating lease income for equipment rentals is recognised on a straight-line basis over the lease term. An arrangement that is not in the legal form of a lease is accounted for as a lease if it is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Receivables from finance leases, in which Siemens as lessor transfers substantially all the risks and rewards incidental to ownership to the customer are recognised at an amount equal to the net investment in the lease. Finance income is subsequently recognised based on a pattern reflecting a constant periodic rate of return on the net investment using the effective interest rate method. A selling profit component on manufacturing leases is recognised based on the policies for outright sales. Profit from sale and leaseback transactions is recognised immediately if significant risks and rewards of ownership have passed to the buyer, the leaseback results in an operating lease and the transaction is established at fair value. Lease incentives and initial costs are amortised on a straight line basis over the lease term and receipts that were not fixed at lease inception are booked as income when earned. Surrender premiums received in the period are included in rental income. Revenue from utilities is recognised when the services are delivered to the tenant.

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

*Interest income:* Interest is recognised using the effective interest rate method.

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

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

**Product-related expenses and losses from onerous contracts** — Provisions for estimated costs related to product.warranties are recorded in Cost of sales 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 substantially improved products and processes, are capitalised if (1) development costs can be measured reliably, the product or process is (2) technically and (3) commercially feasible, (4) future economic benefits are probable and (5) Siemens intends, and (6) 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 line item 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.

**Investments** — Investments are stated at their historic cost to the Company less, where appropriate, provisions for any permanent or temporary impairment in value.

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit, to which the goodwill is allocated, exceeds its recoverable amount, an impairment loss on goodwill allocated to this cash-generating unit is recognised. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. The Company determines the recoverable amount of a cash-generating unit based on its fair value less costs to sell. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods if the recoverable amount exceeds the carrying amount of the cash-generating unit to which the goodwill is allocated; see note 17 for further information.

**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. Weighted average useful lives in specific acquisitions ranged from nine 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 fair value disclosed for investment property is primarily based on a discounted cash flow approach except for certain cases which are based on appraisal values.

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

**Property, plant and equipment** — Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. 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. 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 |
| Equipment leased to others | Generally 3 to 5 years |

**Impairment of property, plant and equipment and other intangible assets** — The Company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets with indefinite useful lives as well as intangible assets not yet available for use are subject to an annual impairment test. 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 asset 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.

**Discontinued operations** — The Company classifies a non-current asset or a disposal group (outside discontinued operations) as held for disposal if the carrying amount will be recovered through a sale transaction. The asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and its sale must be highly probable.

For the sale to be highly probable management must be committed to a plan to sell the asset or disposal group and an active programme to locate a buyer and complete the plan initiated.

Discontinued operations are reported when a component of an entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the entity is classified as held for sale or has been disposed of, if the component either (a) represents a separate major line of business or geographical area of operations or (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

Non-current assets classified as held for disposal and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, unless these items presented in the disposal group are not part of the measurement scope as defined in IFRS 5, Non-current Assets held for Sale and Discontinued Operations.

**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** — Inventories are 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 recognised 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, 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, including receivables from group companies. 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. The Company does not make use of the category held to maturity. Financial liabilities of the Company mainly comprise loans from banks, trade payables, obligations under finance leases and derivative financial instruments with a negative fair value, including amounts due to group companies. Siemens does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases. For additional information refer to note 32.

Financial instruments are recognised on the Statement of Financial Position when the Company becomes a party to the contractual obligations of the instrument. Regular way 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. Receivables from finance leases are recognised at an amount equal to the net investment in the lease. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned.

**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.*

**Available-for-sale financial assets** — Investments in equity instruments, debt instruments and fund shares are all classified as available-for-sale financial assets and are measured at fair value, if reliably measurable. Unrealised gains and losses, net of applicable deferred income tax expenses, are recognised in line item Other comprehensive income, net of income taxes. Provided that fair value cannot be reliably determined, Siemens measures available-for-sale financial instruments at cost. This applies to equity instruments that do not have a quoted market price in an active market, and decisive parameters cannot be reliably estimated to be used in valuation models for the determination of fair value. When available-for-sale financial assets incur a decline in fair value below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised in equity is removed from equity and recognised in the Statement of Income. The Company considers all available evidence such as market conditions and prices, investee-specific factors and the duration as well as the extent to which fair value is less than acquisition cost in evaluating potential impairment of its available-for-sale financial assets. The Company considers a decline in fair value as objective evidence of impairment, if the decline exceeds 20% of costs or continues for more than six months.

**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. Loans and receivables bearing no or lower interest rates compared to market rates with a maturity of more than one year are being discounted.

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

- Leases in which the Company is the lessor:

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

The reclassification of operating leases to finance leases, from a Siemens Plc legal entity point of view, was not deemed material in the financial statements for the year ended September 30, 2014. This has now been deemed material in the financial statements for the year ended September 30, 2015 therefore the prior year figures have been amended for comparability purposes. Management has considered the implications of this change in line with IAS 8, *Accounting policies and changes in accounting estimates*, and has adjusted the prior period balances accordingly.

**Pension costs and other post-retirement benefits**

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

*Defined benefit plans* — The Company measures the entitlements 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). 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 asset ceiling, under pension liability or pension asset.

Remeasurement 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.

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

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

Any expected payments to be made to the Company's ultimate parent undertaking, Siemens AG, in respect of these plans is deducted from the capital contribution reserve in equity over the vesting period, to the extent that expenses have been recorded. Any additional payments are charged directly to the Statement of Income. 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 the financial statements of Siemens Plc (company registration number 727817).

**Foreign currency transactions** — Transactions that are denominated in a currency other than the functional currency of an entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognised. At the end of the reporting period, foreign currency denominated monetary assets and liabilities are re-valued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognised in the Statement of Income. Those foreign currency-denominated transactions which are classified as non-monetary are remeasured using the historical spot exchange rate.

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

**Impairments** — Siemens classifies a non-current asset or a disposal group (outside discontinued operations) as held for disposal if the carrying amount will be recovered through a sale transaction. The asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and its sale must be highly probable. For the sale to be highly probable management must be committed to a plan to sell the asset or disposal group and an active programme to locate a buyer and complete the plan initiated.

*New and amended standards effective for the year ended September 30, 2015:*

**IFRS 10, IFRS 12 and IAS 27 - Investment entities (Amendments)**

These amendments, which were adopted on October 1, 2014 apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The amendments provide an exemption from consolidation of subsidiaries under IFRS 10 'Consolidated Financial Statements'. As the Company does not meet the definition of an 'investment entity', these amendments do not have any impact on the Company's financial statements.

**IAS 19 - Defined Benefit Plans: Employee Contributions - Amendments to IAS 19**

This amendment, effective from October 1, 2014, applies to contributions from employees or third parties to defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. There is no impact on the Company's financial statements as a result of this amendment as the Company has already been accounting for the impact of employee contributions on service costs in line with the amendment.

**IAS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32**

This amendment, effective from September 1, 2014, clarifies the meaning of the standard in respect of the legally enforceable right to set-off and the application of the standard's offsetting criteria to settlement systems that apply gross settlement mechanisms. There is no impact on the Company's financial statements as a result of this amendment as the Company has already been applying these rules of set-off.

**IAS 36 - Recoverable Amount for Non-Financial Assets - Amendments to IAS 36**

This amendment, effective from September 1, 2014, reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarifies the disclosures required, and introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount is determined using a present value technique. The disclosures required have been amended as necessary.

**IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39**

This amendment, effective from September 1, 2014, will remove the need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. There is no impact on the Company's financial statements as a result of this amendment as there are no instances of novated contracts and none are expected.

**IFRIC 21 - Levies**

This interpretation, effective from September 1, 2014, provides guidance of when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. There is no impact on the Company's financial statements as the standard has been interpreted correctly.

**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, 2015, and have not been applied in preparing these financial statements. Those standards that have relevance to the Company are mentioned below:

**IFRS 9 - Financial Instruments**

This standard, which is tentatively effective for years beginning on or after January 1, 2018, is the first phase of the IASB's three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. The first phase addresses the requirements for the classification and measurement of financial assets and financial liabilities and hedge accounting requirements. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value, replacing the existing 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 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 Company is currently assessing the impact of the adoption on the Company's financial statements.

**IFRS 10, IFRS 12 and IAS 28 Investment entities: Applying the Consolidation Exception (Amendments)**

This amendment, effective for annual periods beginning on or after January 1, 2016, addresses issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The Company is assessing the impact of this standard.

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

The amendments which are effective for annual periods beginning after January 1, 2016, address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The Company is assessing the impact of this amendment.

**IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (Amendments)**

The amendments which are effective for annual periods after January 1, 2016 require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs, that do not conflict with IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations. The Company is assessing the impact of this amendment.

**IFRS 14 - Regulatory deferral accounts**

This standard, effective for years beginning after January 1, 2016, allows companies whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. As the Company is not subject to rate-regulation and already applies IFRS, this standard will have no impact on the Company's performance and financial statements.

**IFRS 15 - Revenue from contracts with customers**

IFRS 15, effective for years beginning after January 1, 2018, replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company has set up an IFRS project team and is assessing the impact of this standard and providing training and assistance to businesses to implement this in due course.

**IAS 1 Disclosure Initiative - Amendments to IAS 1**

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the Statement of Income, Statement of Comprehensive Income and the Statement of Financial Position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the Statement of Financial Position, the Statement of Income and Statement of Comprehensive Income. The Company is assessing the impact of this amendment.

**IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 18**

The amendments, effective for annual periods beginning after January 1, 2016, clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The Company is currently assessing the impact of this amendment.

**IAS 27 Equity Method in Separate Financial Statements - Amendments to IAS 27**

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

**Annual Improvements 2012 - 2014 cycle**

In September 2014, the IASB issued five amendments to four standards as part of its annual improvement cycle. These changes affect IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting and are effective from January 1, 2016. The Company is assessing the impact of these improvements.

### 3. Management estimates and judgments

Certain of these 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 Divisions, particularly Power and Gas, Wind Power and Renewables, Mobility and Energy Management, 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. These significant estimates include total contract costs, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage of completion method, such changes in estimates may lead to an increase or decrease of revenues.

The creditworthiness of our customers is taken into account in estimating the probability that economic benefits associated with a contract will flow to the Company. In addition, we need to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis. For contracts expected to be continued, amounts already included in revenue for which collectability ceases to be probable are recognised as an expense.

For contracts expected to be terminated, including terminations due to expected payment defaults of our customers or terminations due to force majeure events, the estimates on the scope of deliveries and services provided under the contracts are revised accordingly, typically resulting in decrease of revenue in the respective reporting period. Management of the operating divisions continually review all estimates involved in such construction contracts and adjust them as necessary.

**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 movement in this allowance is given in note 13.

Following a review of the methodology used in data collection, the Company has become aware that there was an error in calculating the total value of trade receivables sold to Siemens AG. Management has considered the implications of the error in line with IAS 8, *Accounting policies and changes in accounting estimates*, and has adjusted the prior period disclosure. There is no impact on the financial statements for the year ended September 30, 2015 or 2014.

Impact on trade receivables from the sale of goods and services to Siemens AG – year ended September 30, 2014

(increase to trade receivables from the sale of goods and services to Siemens AG)

| | |
|---|---|
| Trade receivables from the sale of goods and services to Siemens AG | 66,093 |

Please refer to note 13 for further details.

**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 used 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 17.

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 — Post-employment benefits** — 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 compensation increases, rate of pension progression 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 are not available discount rates are based on government bond yields. 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 26.

**Provisions** — Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations and legal proceedings. A significant portion of the business of certain operating divisions is performed pursuant to long-term contracts. The Company records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Such estimates are subject to change based on new information as projects progress toward completion. 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 Mobility Division, Process Industries and Drives Division, Healthcare Division and Energy Management Division, 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.

The Company is subject to legal and regulatory proceedings in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties or disgorgements against the Company. If it is more likely than not that an obligation of the Company exists and will result in an outflow of resources, a provision is recorded if the amount of the obligation can be reliably estimated. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. The Company periodically reviews the status of these proceedings with both inside and outside counsel. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future net income. Upon resolution, the Company may incur charges in excess of the recorded provisions for such matters. It cannot be excluded that the financial position or results of operations of the Company will be materially affected by an unfavourable outcome of legal or regulatory proceedings or government investigations.

For further explanation of the movement in provisions in the year see note 27.

**Taxes** — The Siemens group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of taxpayers and local tax authorities. 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 realised, a corresponding valuation allowance is taken into account.

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 4. Acquisitions and discontinued operations

***a) Acquisitions in the year***

*Trade and asset acquisitions of group companies*

There were no trade and asset acquisitions in the year ended September 30, 2015. In the year ended September 30, 2014, the Company acquired the trade and assets of the following group companies:

| Name of company acquired from | Date of acquisition | Division |
|---|---|---|
| Siemens Transmission and Distribution Limited | February 1, 2014 | Energy Management |
| Electrium Sales Limited | October 1, 2013 | Energy Management |

In 2014, the trade and assets of the Medium Voltage and Energy Automation business were acquired from Siemens Transmission and Distribution Limited. This company is engaged in the electrical transmission and distribution industry.

The assets and liabilities of Heating Controls excluding Room Controls were acquired from Electrium Sales Limited. This company is engaged in the manufacture and distribution of domestic and industrial circuit protection and wiring accessory products.

The total net assets acquired were:

| | Year ended September 30, 2015 | Year ended September 30, 2014 |
|---|---|---|
| Trade and other receivables | - | 8,802 |
| Other current financial assets | - | 87 |
| Intragroup receivables | - | 15 |
| Inventories | - | 16,182 |
| Other current assets | - | 19 |
| Goodwill | - | 185 |
| Other intangible assets | - | 7,571 |
| Property, plant and equipment | - | 272 |
| Deferred tax assets | - | 481 |
| | - | 33,614 |
| Trade payables | - | 3,528 |
| Other current financial liabilities | - | 24 |
| Current provisions | - | 2,424 |
| Other current liabilities | - | 12,614 |
| Other liabilities | - | 155 |
| Provisions | - | 271 |
| Pension plans and similar commitments | - | 2,280 |
| | - | 21,296 |
| Net identifiable assets and liabilities | - | 12,318 |
| Goodwill on acquisition | - | 74,982 |
| Consideration | - | 87,300 |

Fair value of consideration is made up of cash of £5,431k and deemed capital contribution of £81,869k.

For the years ended September 30, 2015 and September 30, 2014 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 2015 and 2014 have been settled via intercompany accounts or cash.

For the years ended September 30, 2015 and 2014 (in thousands of £)

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

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Revenue | - | 53,983 |
| Operating profit | - | (3,383) |

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

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Revenue | - | (3,109,758) |
| Operating profit | - | (161,565) |

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

The acquisition of the business from Electrium Sales Limited did not result in the recognition of any goodwill.

***b) Discontinued operations***

The assets and liabilities of the Metals Technologies business were classified on the Statement of Financial Position as held for disposal at September 30, 2014, and measured at the lower of their carrying amount or fair value less costs to sell. On January 1, 2015 the assets and liabilities of the Metals Technologies business were sold to International Metal Technologies Limited. This resulted in a gain on disposal of £110k.

The following amounts of the major classes of assets and liabilities classified as held for disposal as of September 30, 2014 relate to the Metals Technologies business.

| | September 30, 2015 | 2014 |
|---|---|---|
| Trade and other receivables | - | 12,131 |
| Inventories | - | 20,656 |
| Other current financial assets | - | 4,113 |
| Other current assets | - | 158 |
| Goodwill | - | 41,789 |
| Other intangible assets | - | 827 |
| Property, plant and equipment | - | 137 |
| Other non-current assets | - | 180 |
| **Assets classified as held for disposal** | - | 79,991 |
| Trade payables | - | 16,669 |
| Other current financial liabilities | - | 6,798 |
| Other current liabilities | - | 14,737 |
| Current provisions | - | 13,335 |
| Other liabilities | - | 291 |
| Other financial liabilities | - | 391 |
| **Liabilities associated with assets classified as held for disposal** | - | 52,221 |

For the years ended September 30, 2015 and 2014 (in thousands of £)

The assets and liabilities of the Healthcare Division were classified on the Statement of Financial Position as held for disposal at September 30, 2015, and measured at the lower of their carrying amount or fair value less costs to sell. On October 1, 2015 the assets and liabilities of the Healthcare Division were sold to Siemens Healthcare Limited.

The following amounts of the major classes of assets and liabilities classified as held for disposal as of September 30, 2015 relate to the Healthcare Division.

| | September 30, 2015 | 2014 |
|---|---|---|
| Trade and other receivables | **36,464** | - |
| Inventories | **32,122** | - |
| Inventories - advance payments received | **(33,458)** | - |
| Other current financial assets | **82** | - |
| Other current assets | **8,030** | - |
| Goodwill | **36,153** | - |
| Other intangible assets | **153** | - |
| Property, plant and equipment | **25,211** | - |
| Pension plans and similar assets | **1,479** | - |
| Other non-current assets | **40,362** | - |
| **Assets classified as held for disposal** | **146,598** | - |
| Trade payables | **36,082** | - |
| Intragroup payables | **417** | - |
| Other current financial liabilities | **318** | - |
| Other current liabilities | **50,965** | - |
| Current provisions | **30,196** | - |
| Deferred tax liabilities | **296** | - |
| Provisions | **323** | - |
| Other liabilities | **37,323** | - |
| **Liabilities associated with assets classified as held for disposal** | **155,920** | - |

For the years ended September 30, 2015 and 2014 (in thousands of £)

The net result of discontinued operations presented in the Statement of Income consist of the following components:

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Revenue | **423,680** | 399,573 |
| Cost of sales | **(384,273)** | (349,364) |
| Gross profit | **39,407** | 50,209 |
| Research and development expenses | **(6,712)** | (7,143) |
| Marketing and distribution expenses | **(12,832)** | (10,796) |
| Administrative expenses | **(780)** | (1,371) |
| Other operating (loss) / income | **(129)** | 6 |
| Operating profit | **18,954** | 30,905 |
| Interest income | **3,323** | 3,438 |
| Interest expense | **(117)** | (289) |
| Income from discontinued operations before income taxes | **22,160** | 34,054 |
| Income taxes | **(4,543)** | (7,492) |
| Income from discontinued operations | **17,617** | 26,562 |

On February 1, 2015 the assets and liabilities of the Health Services business were sold to Cerner Limited. This resulted in a gain on disposal of £10k.

On June 1, 2015 the sale of assets and the transfer of employees from the Security Products business unit within the Building Technologies Division to Vanderbilt International (UK) Limited took place.

*c) Acquisitions / disposals after the year end*

On October 1, 2015 the assets and liabilities of the Healthcare Division were sold for £224.7m. Please see note 4 b) above for further information.

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 5. Revenue

| Revenue is earned from and analysed into the following business categories: | Year ended September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Metals Technologies* | 15,008 | 97,379 |
| Building Technologies | 57,242 | 60,467 |
| Digital Factory | 145,153 | 156,598 |
| Energy Management | 227,362 | 214,941 |
| Mobility | 416,208 | 575,072 |
| Process Industries and Drives | 93,549 | 90,928 |
| Power and Gas | 161,367 | 179,550 |
| Real Estate | 44,680 | 37,515 |
| Wind Power and Renewables | 543,643 | 1,268,754 |
| Other** | 1,546 | 1,651 |
| | 1,705,758 | 2,682,855 |

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

The restatement arises from the re-organisation of Siemens Plc in the current year from a sector-based structure to a divisional structure and the reclassification of the Healthcare Division as discontinued operations.

*Metals Technologies was sold in the current year and the results of that business were not classified as discontinued operations in the prior year financial statements.

**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.

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

| | Year ended September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Net foreign exchange losses | 2,082 | 2,470 |
| Research and development costs | 2,029 | 3,378 |
| Depreciation of property, plant and equipment | 24,738 | 24,786 |
| Amortisation of intangible assets | 6,043 | 13,893 |
| Impairment of plant, property and equipment | 26 | - |
| Impairment of goodwill - administrative costs | 1,334 | 44,795 |
| Impairment of other intangible assets | - | 14,938 |
| Direct operating expenses in connection with investment properties | 5,368 | 7,283 |
| Staff costs (see note 8) | 442,506 | 428,498 |
| Grants received | (1,788) | (1,347) |
| Auditor's remuneration: | | |
| - audit of financial statements | 707 | 1,011 |

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £102k (2014: £nil).

For the years ended September 30, 2015 and 2014 (in thousands of £)

**7. Other operating expense**

| | Year ended September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Impairment of goodwill | **(1,334)** | (44,795) |
| Profit / (loss) on disposal of property, plant and equipment and intangibles | **694** | (2,217) |
| Profit on disposal of businesses | **120** | 6,248 |
| Other* | **(12,546)** | 397 |
| | **(13,066)** | (40,367) |

The impairment of goodwill represents continuing operations and relates to the Building Technologies Division. The profit on disposal of businesses relates to the disposal of the Metals Technologies business and the disposal of the Health Services business within the Healthcare Division.

*Other operating expense includes disposal of goodwill mainly relating to the Mobility Division.

**8. Staff numbers and costs**

| | Year ended September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Wages and salaries | **366,283** | 353,212 |
| Social security costs | **38,558** | 37,124 |
| Expenses relating to pension plans and employee benefits | **37,665** | 38,162 |
| | **442,506** | 428,498 |

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

The average number of employees (including executive directors) during 2015 and 2014 was 7,303 and 7,058, respectively (based on continuing operations). Part-time employees are included on a proportionate basis rather than being counted as full units. The employees were engaged in the following activities:

| | Year ended September 30, 2015 Number | 2014 Number |
|---|---|---|
| Manufacturing and services | **5,441** | 5,138 |
| Sales and marketing | **1,762** | 1,817 |
| Research and development | **100** | 103 |
| | **7,303** | 7,058 |

For the years ended September 30, 2015 and 2014 (in thousands of £)

**9. Directors' emoluments**

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

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Emoluments receivable | **1,855** | 2,641 |
| Employer contributions to money purchase schemes | **36** | 44 |
| | **1,891** | 2,685 |

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £753k (2014: £1,264k). One of the directors is a member of the defined contributions scheme. One of the directors is a member of the defined benefit scheme. Share-based payments are described in note 31. Three of the directors have qualifying services shares receivable from a long-term incentive scheme.

**10. Interest income and interest expense**

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

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

| | Year ended September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Interest income | **11,094** | 12,388 |
| Interest expense | **(18,992)** | (26,029) |
| **Interest expense, net** | **(7,898)** | (13,641) |
| Thereof: Interest income of operations, net | **5,928** | 1,282 |
| Thereof: Other interest expense, net | **(13,826)** | (14,923) |

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

*Interest income from pension plans and similar commitments, net* consists of the following components of income and expense:

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Interest income from pension plans and similar commitments | **154,829** | 140,599 |
| Interest expense from pension plans and similar commitments | **(142,181)** | (139,895) |
| **Interest income from pension plans and similar commitments, net** | **12,648** | 704 |

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

For the years ended September 30, 2015 and 2014 (in thousands of £)

### 11. Taxes

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

| | Year ended September 30, 2015 | 2014 Restated |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax | **16,271** | 39,835 |
| Foreign income taxes | **-** | 789 |
| Adjustments for prior years | **(382)** | (4,454) |
| | **15,889** | 36,170 |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences - current year | **21,776** | 8,089 |
| Origination and reversal of temporary differences - prior years | **(934)** | 4,512 |
| **Tax expense** | **36,731** | 48,771 |

The tax expense in the income statement is disclosed as follows:

| | 2015 | 2014 |
|---|---|---|
| Income tax expense on continuing operations | **32,188** | 41,279 |
| Income tax expense on discontinued operations | **4,543** | 7,492 |
| | **36,731** | 48,771 |

*Of the deferred tax expense in 2015 and the deferred tax expense in 2014, £20,842k and £12,601k, respectively, relate to the origination and reversal of temporary differences.*

For the years ended September 30, 2015 and 2014, the Company was subject to UK corporation tax at a rate of 20.5% (21% during the 6 months to April 1, 2015 and 20% during the 6 months to September 30, 2015) and 22% (23% during the 6 months to April 1, 2014 and 21% during the 6 months to September 30, 2014) respectively. The total tax expense or credit differs from the amounts computed by applying the statutory UK tax rate as follows:

| | Year ended September 30, 2015 | 2014 Restated |
|---|---|---|
| Profit before tax (Continuing and discontinued operations (see note 4)) | **157,657** | 149,226 |
| Tax at 20.5% (2014: 22%) | **32,320** | 32,831 |
| Increase / (decrease) in income taxes resulting from: | | |
| Non-deductible losses and expenses | **5,716** | 14,697 |
| Research and development tax credit | **(461)** | (459) |
| Tax-free gains from sales of business | **666** | (1,333) |
| (Over) / under provided in prior years - deferred tax | **(934)** | 4,512 |
| Over provided in prior years - current tax | **(382)** | (4,454) |
| Irrecoverable foreign tax | **-** | 615 |
| Fair value adjustment on asset transfers | **-** | 1,515 |
| Rate change adjustment difference between Corporation Tax and Deferred Tax rate | **(536)** | (520) |
| Rate change adjustment re pension spreading | **342** | 1,369 |
| **Total income tax expense for the year** | **36,731** | 48,773 |

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 (No.2) 2015, which included a reduction in the corporate tax rate to 19% (effective from April 2017) and to 18% (effective from April 2020), had not been substantively enacted at the Statement of Financial Position date. Deferred tax assets and liabilities have been measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based upon the enacted rate of 20%.

For the years ended September 30, 2015 and 2014 (in thousands of £)

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

| | September 30, 2015 | 2014 Restated |
|---|---|---|
| Assets: | | |
| Liabilities | **866** | 1,034 |
| Deferred tax assets | **866** | 1,034 |
| | | |
| Liabilities: | | |
| Other intangible assets | **(6,118)** | (7,298) |
| Property, plant and equipment | **(13,910)** | (9,148) |
| Pension plans and similar commitments | **(55,710)** | (26,965) |
| Deferred tax liabilities | **(75,738)** | (43,411) |
| Total deferred tax liabilities, net | **(74,872)** | (42,377) |

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

As of September 30, 2015 the Company had £nil (2014: £nil) of gross tax loss carry forwards. Management considers it probable that the future operations will generate sufficient taxable income to realise the deferred tax assets.

The UK government intends to reduce the UK corporate income tax rate to 19% (effective from April 2017) and to 18% (effective from April 2020) according to the Finance Act (No.2) 2015, which was substantively enacted in October 2015. The Company will only recognise in its financial statements, the impact of a rate change which is substantively enacted at the Statement of Financial Position date. However, for indicative purposes only, the effect of the proposed reduction in the corporate income tax rate on the deferred tax balance as at September 30, 2015 is shown below:

| | September 30, 2015 |
|---|---|
| Deferred tax liability position at 19% | (71,128) |
| Deferred tax liability position at 18% | (67,385) |

**12. Dividends paid**

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Dividends paid | **275,200** | 100,000 |

The Company has paid a dividend in the year to its parent undertaking (see note 37) of £275.20 per share (2014: £100 per share).

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 13. Trade and other receivables

| | September 30, 2015 | 2014 |
|---|---|---|
| Trade receivables from the sale of goods and services | **166,359** | 160,176 |
| Receivables from group companies | **388,726** | 754,556 |
| Receivables from finance leases | **2,807** | 9,650 |
| | **557,892** | 924,382 |

During 2015 the Company has sold *trade receivables from the sale of goods and services* amounting to £54,105k (2014: £69,690k, restated) to Siemens AG. As at September 30, 2015 an amount of £22,265k (2014: £24,415k) has been included in *receivables from group companies* relating to balances which have been sold to Siemens AG.

Trade receivables from the sales of goods and services include customer rebates amounting to £1,273k (2014: £1,081k) and settlement discounts of £nil (2014: £nil).

As at September 30, 2015, *receivables from group companies* includes an amount payable to Siemens Holdings plc of £329m (2014: £153m), relating to interest bearing loans. The interest rates on these loans ranged from 0.5086% to 3.6029%.

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

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Valuation allowance as of beginning of fiscal year | **3,781** | 8,885 |
| Creation | **428** | 1,045 |
| Usage | **(4)** | (71) |
| Reversal | **(856)** | (2,692) |
| Reclassification to assets held for disposal | **(213)** | (3,258) |
| Transfer in from group companies | - | (128) |
| **Valuation allowance as of fiscal year-end** | **3,136** | 3,781 |

See note 4 for further information on *Trade and other receivables* reclassified to *Assets classified as held for disposal.*

For the years ended September 30, 2015 and 2014 (in thousands of £)

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

| | September 30, Gross 2015 | Allowance 2015 | September 30, Gross 2014 | Allowance 2014 |
|---|---|---|---|---|
| Current | 135,571 | (1,216) | 131,173 | (914) |
| 30 days overdue | 11,281 | (319) | 14,517 | (511) |
| 31 – 60 days overdue | 11,130 | (220) | 7,543 | (419) |
| 61 – 90 days overdue | 2,271 | (121) | 3,139 | (199) |
| 91+ days overdue | 9,242 | (1,260) | 7,584 | (1,738) |
| | 169,495 | (3,136) | 163,956 | (3,781) |

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Receivables from finance leases, current | 2,807 | 9,650 |
| Receivables from finance leases, long-term portion (see note 20) | 7,803 | 43,990 |
| | 10,610 | 53,640 |
| Thereof: Land and buildings | 1,402 | 3,610 |
| Thereof: Technical machinery & equipment | 9,208 | 50,030 |

Minimum future lease payments to be received are as follows:

| Year | |
|---|---|
| 2016 | 1,781 |
| 2017 | 1,743 |
| 2018 | 1,413 |
| 2019 | 1,384 |
| 2020 | 1,339 |
| Thereafter | 3,942 |
| Minimum future lease payments | 11,602 |

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Minimum future lease payments / gross investment in leases | 11,602 | 65,860 |
| Less: Unearned finance income | (992) | (12,220) |
| Net investment in leases | 10,610 | 53,640 |

For the years ended September 30, 2015 and 2014 (in thousands of £)

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Gross investment in leases | **11,602** | 65,860 |
| Within 1 year | *1,781* | 11,878 |
| 1 to 5 years | *5,879* | 40,546 |
| Thereafter | *3,942* | 13,436 |
| Present value of minimum lease payments receivable | **10,610** | 53,640 |
| Within 1 year | *1,780* | 9,949 |
| 1 to 5 years | *5,146* | 32,841 |
| Thereafter | *3,684* | 10,850 |

Investments in finance leases relate primarily to the Building Technologies and Mobility Divisions. Actual cash flows will vary from contractual maturities due to future sales of finance receivables, prepayments and write-offs.

**14. Other current financial assets**

| | September 30, 2015 | 2014 |
|---|---|---|
| Derivative financial instruments | **15,156** | 14,317 |
| Other current financial assets | **20,447** | 10,246 |
| | **35,603** | 24,563 |

**15. Inventories**

| | September 30, 2015 | 2014 |
|---|---|---|
| Raw materials and supplies | **8,108** | 10,163 |
| Work in process | **5,616** | 17,275 |
| Costs and earnings in excess of billings on uncompleted contracts | **457,814** | 379,009 |
| Finished goods and products held for resale | **47,756** | 52,064 |
| Advances to suppliers | **4,241** | 11 |
| | **523,535** | 458,522 |
| Advance payments received | **(13,445)** | (36,298) |
| | **510,090** | 422,224 |

*Cost of sales include inventories recognised* as an expense amounting to £1,421,317k and £2,358,379k (restated), respectively, in fiscal year 2015 and 2014.

The aggregate amount of costs incurred and recognised profits less recognised losses for construction contracts in progress as of September 30, 2015 and 2014 amounted to £2,462,630k and £5,605,514k, respectively. Advance payments received on construction contracts in progress were £260,479k and £220,453k as of September 30, 2015 and 2014. Revenue from construction contracts amounted to £1,012,191k and £1,980,554k, respectively for September 30, 2015 and 2014. The amount of retentions for the year ended September 30, 2015 and 2014 are £431k and £nil 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.*

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 16. Other current assets

| | September 30, 2015 | 2014 |
|---|---|---|
| Other tax receivables | **133** | - |
| Prepaid expenses | **11,214** | 12,514 |
| Other | **3,444** | 6,145 |
| | **14,791** | 18,659 |

## 17. Goodwill

| | September 30, 2015 | 2014 Restated |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | **469,629** | 477,623 |
| Acquisitions through business combinations | - | 75,167 |
| Disposals and reclassification to assets held for disposal | **(43,006)** | (83,161) |
| Balance at end of year | **426,623** | 469,629 |
| **Accumulated impairment losses** | | |
| Balance at beginning of year | **(66,895)** | (63,473) |
| Impairment losses recognised during the period | **(1,334)** | (44,795) |
| Disposals and reclassification to assets held for disposal | - | 41,373 |
| Balance at end of year | **(68,229)** | (66,895) |
| **Net book value** | | |
| Balance at beginning of year | **402,734** | 414,150 |
| Balance at end of year | **358,394** | 402,734 |

The disposal of goodwill in the current year includes £36m reclassified to assets held for disposal relating to the Healthcare Division.

The addition of goodwill in the prior year relates to the acquisition of the Medium Voltage and Energy Automation business from Siemens Transmissions and Distribution Limited. £74,982k was recognised as goodwill on acquisition and a further £185k relates to acquired goodwill (refer to note 4).

The restatement allows a better presentation of the split between cost and impairment in the prior year relating to the disposal of the Metals Technologies business.

For the years ended September 30, 2015 and 2014 (in thousands of £)

**Impairment of Goodwill and Other Indefinite life intangibles**

The carrying amount of the goodwill and other indefinite life intangibles across the various divisions as well as the impairment review process is detailed below:

| | Goodwill September 30, 2015 | 2014 Restated |
|---|---|---|
| Healthcare | - | 36,186 |
| Building Technologies | - | 1,334 |
| Digital Factory | - | 416 |
| Energy Management | **353,916** | 354,106 |
| Mobility | **3,339** | 9,553 |
| Process Industries and Drives | **1,139** | 1,139 |
| Balance at end of year | **358,394** | 402,734 |

In 2015, the decrease in goodwill of £44,340k relates to the impairment of goodwill in the Building Technologies Division and the reclassification of £36,153k of goodwill in the Healthcare Division to assets held for disposal. Furthermore £6,853k of goodwill was disposed of in the year, mainly relating to the Mobility Division.

In 2014, the increase in goodwill of £75,167k relates to the carve in of the trade and assets of the Medium Voltage and Energy Automation business from Siemens Transmission and Distribution Limited. The impairment of £44,795k relates to the Metals Technologies business which is classified as held for sale as at September 30, 2014 and the Building Technologies business.

*The restatement arises from the re-organisation of Siemens Plc in the current year from a sector-based structure to a divisional structure.*

For further information on acquisitions, disposals and discontinued operations see note 4.

The Company performs the mandatory annual impairment test in the three months ended September 30, in accordance with the accounting policy stated in notes 2 and 3. The recoverable amounts for the annual impairment test 2015 for the majority of the Company's divisions or equivalents were estimated to be higher than the carrying amounts. Key assumptions on which management has based its determinations of the fair value less costs to sell for the divisions' or equivalents' carrying amount include terminal value growth rates up to 1.7% in 2015 and 5% in 2014, respectively and after-tax discount rates of 7.5% to 10% in 2015 and 8.5% to 10% in 2014. Where possible, reference to market prices is made.

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

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

**Sensitivity to changes in assumptions**

For the Energy Management Division, the recoverable amount of the cash-generating unit of £397 million exceeds its carrying amount by £1 million. Management therefore considers that reasonably possible changes in key assumptions to the recoverable amount could result in an impairment.

The terminal value growth rate used in estimating the recoverable amount for the Energy Management Division was 1.7%, which represents management's estimate of the long-term growth rates in the oil and gas sector in the UK, which drives the majority of the division's activity. A reduction in the terminal value growth rate by 0.5% would result in an impairment of £25 million.

The after-tax discount rate used in estimating the recoverable amount for the Energy Management division was 9.5%. An increase in the after-tax discount rate of 1.0% would result in an impairment of £48 million.

The five year cash flow projections for the Energy Management division include a projected compound annual growth rate of 11% in EBITDA in the Sub Sea business, which is driven by an expected recovery in the oil and gas market and additional contribution from new product lines from 2018. Should this recovery not take place as expected or the contribution from new product lines be delayed or reduced, the Energy Management goodwill would be impaired. A reduction in this compound annual growth rate in EBITDA to 5% over the five year period would result in an impairment of £29 million.

The sensitivities of each of the key assumptions has been described above. The cumulative effect of changes in more than one assumption would be greater and has not been included.

For divisions other than Energy Management, management believes that no reasonably possible change in a key assumption would cause the carrying amount of goodwill to exceed the recoverable amount.

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 18. Other intangible assets

| | Development cost | Software | Patents, licenses & similar rights | Other* | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At October 1, 2013 | 955 | 37,533 | 36,066 | 148,983 | 223,537 |
| Additions | 24 | 2,245 | 59 | - | 2,328 |
| Retirements | (359) | (4,589) | (3,031) | - | (7,979) |
| Transfers in/(out) from group companies | 359 | - | (259) | (71,821) | (71,721) |
| At September 30, 2014 | 979 | 35,189 | 32,835 | 77,162 | 146,165 |
| At October 1, 2014 | **979** | **35,189** | **32,835** | **77,162** | **146,165** |
| Additions | **33** | **3,221** | **112** | - | **3,366** |
| Retirements | **(361)** | **(16,412)** | **(664)** | - | **(17,437)** |
| Reclassification of assets | **561** | **(561)** | **(490)** | **490** | - |
| Reclassifications to assets held for disposal | - | - | **(1,363)** | - | **(1,363)** |
| At September 30, 2015 | **1,212** | **21,437** | **30,430** | **77,652** | **130,731** |
| **Amortisation** | | | | | |
| At October 1, 2013 | 558 | 33,254 | 24,241 | 28,686 | 86,739 |
| Charge for the year | 448 | 2,012 | 2,892 | 8,632 | 13,984 |
| Retirements | (353) | (4,589) | (2,057) | - | (6,999) |
| Transfers from group companies | 326 | - | (272) | (9,090) | (9,036) |
| Impairment | - | - | 6,395 | 8,543 | 14,938 |
| At September 30, 2014 | 979 | 30,677 | 31,199 | 36,771 | 99,626 |
| At October 1, 2014 | **979** | **30,677** | **31,199** | **36,771** | **99,626** |
| Charge for the year | **308** | **1,533** | **1,739** | **2,562** | **6,142** |
| Retirements | **(361)** | **(16,412)** | **(652)** | - | **(17,425)** |
| Reclassification of assets | - | - | **(682)** | **637** | **(45)** |
| Reclassifications to assets held for disposal | - | - | **(1,210)** | - | **(1,210)** |
| At September 30, 2015 | **926** | **15,798** | **30,394** | **39,970** | **87,088** |
| **Net book value** | | | | | |
| At October 1, 2013 | 397 | 4,279 | 11,825 | 120,297 | 136,798 |
| At September 30, 2014 and October 1, 2014 | - | 4,512 | 1,636 | 40,391 | 46,539 |
| **At September 30, 2015** | **286** | **5,639** | **36** | **37,682** | **43,643** |

Amortisation expense for the years ended September 30, 2015 and 2014 includes write back of £99k and £90k, respectively, reported in *Income / (loss) from discontinued operations, net of income taxes.*

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

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

* Other intangible assets have arisen due to business integrations of other Siemens group companies into Siemens Plc in 2009, 2012 and 2013.

For the years ended September 30, 2015 and 2014 (in thousands of £)

**19. Property, plant and equipment**

| | Investment Property | Land & buildings | Technical machinery & equipment (Restated) | Equipment leased to others | Furniture & office equipment | Construction in progress | Total property, plant & equipment (Restated) |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At October 1, 2013 | 25,331 | 214,284 | 102,333 | - | 96,183 | 13,039 | 451,170 |
| Additions | - | 3,492 | 6,424 | 1,544 | 6,301 | 3,467 | 21,228 |
| Disposals | - | (1,087) | (1,548) | - | (5,390) | (1,872) | (9,897) |
| Transfers to / from group companies | (5,938) | 1,579 | 13,777 | - | (1,070) | - | 8,348 |
| Reclassification of assets | - | (74) | 6,316 | - | 421 | (6,663) | - |
| At September 30, 2014 | 19,393 | 218,194 | 127,302 | 1,544 | 96,445 | 7,971 | 470,849 |
| At October 1, 2014 | **19,393** | **218,194** | **127,302** | **1,544** | **96,445** | **7,971** | **470,849** |
| Additions | **311** | **4,664** | **4,489** | **-** | **9,420** | **16,979** | **35,863** |
| Disposals | **-** | **(3,188)** | **(5,155)** | **-** | **(15,065)** | **(1,230)** | **(24,638)** |
| Transfers to /from group companies | **-** | **-** | **(1,415)** | **-** | **(423)** | **-** | **(1,838)** |
| Reclassification of assets | **-** | **-** | **1,955** | **-** | **2,148** | **(4,103)** | **-** |
| Reclassification to assets held for disposal | **-** | **(21,273)** | **(46,260)** | **(1,544)** | **(13,871)** | **(1,229)** | **(84,177)** |
| At September 30, 2015 | **19,704** | **198,397** | **80,916** | **-** | **78,654** | **18,388** | **396,059** |
| **Accumulated depreciation and impairment** | | | | | | | |
| At October 1, 2013 | 8,086 | 73,550 | 71,763 | - | 66,702 | - | 220,101 |
| Charge for the year | 599 | 9,147 | 8,953 | 375 | 10,775 | - | 29,849 |
| Disposals | - | (273) | (1,340) | - | (5,102) | - | (6,715) |
| Transfers to /from group companies | (2,251) | 714 | 6,997 | - | (718) | - | 4,742 |
| Reclassification of assets | - | (44) | (115) | - | 159 | - | - |
| At September 30, 2014 | 6,434 | 83,094 | 86,258 | 375 | 71,816 | - | 247,977 |
| At October 1, 2014 | **6,434** | **83,094** | **86,258** | **375** | **71,816** | **-** | **247,977** |
| Charge for the year | **576** | **9,770** | **8,939** | **501** | **10,109** | **-** | **29,895** |
| Disposals | **-** | **(2,458)** | **(4,705)** | **-** | **(11,688)** | **-** | **(18,851)** |
| Transfers to /from group companies | **-** | **-** | **1,009** | **-** | **(83)** | **-** | **926** |
| Impairment | **-** | **26** | **-** | **-** | **-** | **-** | **26** |
| Reclassification of assets | **-** | **-** | **(35)** | **-** | **35** | **-** | **-** |
| Reclassifications to assets held for disposal | **-** | **(11,717)** | **(36,328)** | **(876)** | **(10,044)** | **-** | **(58,965)** |
| At September 30, 2015 | **7,010** | **78,715** | **55,138** | **-** | **60,145** | **-** | **201,008** |

For the years ended September 30, 2015 and 2014 (in thousands of £)

**Net book value**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| At October 1, 2013 | 17,244 | 140,734 | 30,570 | - | 29,481 | 13,038 | 231,067 |
| At September 30, 2014 and October 1, 2014 | 12,959 | 135,100 | 41,044 | 1,169 | 24,629 | 7,971 | 222,872 |
| **At September 30, 2015** | **12,694** | **119,682** | **25,778** | - | **18,509** | **18,388** | **195,051** |

Depreciation and impairment expense for the years ended September 30, 2015 and 2014 includes write-back of £5,157k and £5,063k, respectively, reported in *Income from discontinued operations, net of income taxes.*

As of September 30, 2015 contractual commitments for the purchase of plant, property and equipment amount to £60,916k (2014: £2,170k).

In fiscal 2015 and 2014, government grants awarded for the purchase or the production of property, plant and equipment amounted to £2,447k and £nil, respectively. The award of further government grants of £6,504k and £1,879k in fiscal 2015 and 2014, respectively, related to costs incurred and future costs.

The fair value of investment property as at September 30, 2015 was £7m (2014: £14m).

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, 2015 and 2014, the minimum future lease payments receivable that the Company, as a lessor, is expecting to receive under non-cancellable operating leases as follows:

| | September 30, 2015 | 2014 |
|---|---|---|
| Not later than one year | **7,307** | 15,411 |
| Later than one year and not later than five years | **40,274** | 35,743 |
| Later than five years | **54,146** | 30,563 |
| | **101,727** | 81,717 |

Payments from lessees under operating leases primarily relate to leasing of properties and train depots by Siemens Plc. Total contingent rent recognised in income in fiscal 2015 and 2014 amounts to £nil and £nil, respectively.

**20. Other financial assets**

| | September 30, 2015 | 2014 |
|---|---|---|
| Receivables from finance leases | **7,803** | 43,991 |
| Other financial assets | **292** | 1,140 |
| | **8,095** | 45,131 |

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 21. Other assets

| | September 30, 2015 | 2014 |
|---|---|---|
| Other assets | **38,603** | 8,002 |
| | **38,603** | 8,002 |

Other assets include the long-term portion of prepaid lease costs of £38m relating to the construction of a new wind power factory in Hull. These have been capitalised following upfront payments to the land owner, Associated British Ports (ABP).

## 22. Other current financial liabilities

| | September 30, 2015 | 2014 |
|---|---|---|
| Derivative financial instruments | **7,873** | 5,656 |
| Other financial liabilities | **5,407** | 12,350 |
| | **13,280** | 18,006 |

## 23. Trade payables

| | September 30, 2015 | 2014 |
|---|---|---|
| Trade payables | **120,665** | 147,083 |
| Amounts due to group companies | **51,063** | 29,110 |
| | **171,728** | 176,193 |

## 24. Other current liabilities

| | September 30, 2015 | 2014 |
|---|---|---|
| Billings in excess of costs and estimated earnings on uncompleted contracts and related advances | **323,118** | 263,602 |
| Payroll and social security taxes | **19,692** | 21,411 |
| Bonus obligations | **38,121** | 46,294 |
| Other employee related costs | **13,095** | 10,114 |
| Other tax liabilities | **16,905** | 32,306 |
| Deferred income | **14,264** | 38,778 |
| Other accrued liabilities | **47,668** | 57,932 |
| | **472,863** | 470,437 |

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

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 25. Debt

| | September 30, 2015 | 2014 Restated |
|---|---|---|
| **Short-term debt** | | |
| Short-term debt | 199 | 712 |
| Liabilities under finance leases less than 1 year | 511 | 555 |
| | 710 | 1,267 |
| **Long-term debt** | | |
| Liabilities under finance leases more than 1 year | 13,091 | 15,942 |
| Long-term loan from group company | 460,587 | 646,177 |
| | 473,678 | 662,119 |

*Long-term debt* includes three long-term loans held with Siemens Holdings plc. The first loan is for £100,000k with a remaining term of 19 months and an annual interest rate fixing. The current interest rate is 1.4171% and the next interest rate fixing is April 2016. The second loan is for £299,666k with a remaining term of 214 months and a fixed rate of 3.6029% per annum. The third is for £60,921k with a remaining term of 19 months and an annual interest rate fixing. The current interest rate is 1.4171% and the next interest rate fixing is April 2016.

Amounts relating to finance lease liabilities are disclosed below:

***Finance lease liabilities***

| | **Future minimum lease payments** 2015 | **Interest** 2015 | **Present value of future minimum lease payments** 2015 | Future minimum lease payments 2014 (Restated) | Interest 2014 (Restated) | Present value of future minimum lease payments 2014 (Restated) |
|---|---|---|---|---|---|---|
| Less than one year | (1,840) | 1,329 | (511) | (17,657) | 17,102 | (555) |
| Between one and five years | (27,696) | 14,605 | (13,091) | (16,281) | 344 | (15,937) |
| More than five years | - | - | - | (5) | - | (5) |
| | (29,536) | 15,934 | (13,602) | (33,943) | 17,446 | (16,497) |

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 26. Post-employment benefits

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

### Siemens Benefits Scheme

***Defined benefit plan***

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

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

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

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Company's share of the net amount recognised of the Scheme at beginning of year | **276,505** | (1,007) |
| Current service cost | **(733)** | (789) |
| Other finance income | **13,134** | 835 |
| Settlement (losses) / gains arising from transactions with other group and former group companies | **(4,025)** | 2,030 |
| Contributions paid | **7,052** | 12,036 |
| Transfers from other group companies | **-** | (958) |
| Remeasurements included in Statement of Comprehensive Income | **57,313** | 264,358 |
| Reclassifications to assets held for disposal | **(1,479)** | - |
| Company's share of the net amount recognised of the Scheme at end of year | **347,767** | 276,505 |

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

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

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2015. The Scheme's assets are stated at their market values at September 30, 2015.

The Scheme covers 29,931 participants, including 2,126 active employees, 17,413 former employees with vested benefits and 10,392 retirees and surviving dependents.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Siemens Benefits Scheme (SBS) as at September 30, 2015. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

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

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

For the years ended September 30, 2015 and 2014 (in thousands of £)

***Reconciliation of funded status to Statement of Financial Position:***

| | September 30, 2015 | 2014 |
|---|---|---|
| Fair value of Scheme assets | **3,826,319** | 3,520,104 |
| Present value of funded defined benefit obligations | **(3,481,678)** | (3,248,611) |
| Surplus recognised in the Statement of Financial Position | **344,641** | 271,493 |

***Defined benefit costs are as follows:***

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Current service cost | **823** | 896 |
| Settlement losses / (gains) | **4,060** | (2,029) |
| Net interest expense | **144,155** | 143,247 |
| Net interest income | **(157,088)** | (143,468) |
| Components of defined benefit cost recognised in the Statement of Income | **(8,050)** | (1,354) |
| Return on Scheme assets (excluding amounts included in net interest expense and net interest income) | **(246,261)** | (245,580) |
| Remeasurement gains and losses | **188,319** | (28,489) |
| Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income | **(57,942)** | (274,069) |
| Defined benefit costs | **(65,992)** | (275,423) |

Settlement losses mainly relate to the delayed plan-to-plan transfer arising from the sale, by Siemens Plc, of the Water Technology business in 2014.

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Defined benefit obligation at beginning of year | **3,248,611** | 3,226,675 |
| Current service cost | **823** | 896 |
| Settlement (gains) | **(3,166)** | (2,029) |
| Interest expense | **144,155** | 143,247 |
| Remeasurements: | | |
| Remeasurement losses from changes in demographic assumptions | **(6,700)** | - |
| Remeasurement losses from changes in financial assumptions | **234,755** | - |
| Experience gains | **(39,736)** | (28,489) |
| Scheme participants' contributions | **17,693** | 13,603 |
| Benefits paid | **(106,285)** | (100,527) |
| Business combinations, disposals and other | **(8,472)** | (4,765) |
| Defined benefit obligation at end of year | **3,481,678** | 3,248,611 |

The total DBO at the end of the year 2015 includes £494,560k for active employees (2014: £510,263k), £1,326,916k for former employees with vested benefits (2014: £1,197,950k) and £1,660,202k for retirees and surviving dependents (2014: £1,540,398k).

The weighted average duration of the DBO was 18.4 years (2014: 18.5 years).

For the years ended September 30, 2015 and 2014 (in thousands of £)

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Fair value of Scheme assets at beginning of year | **3,520,104** | 3,210,572 |
| Interest income | **157,088** | 143,468 |
| Remeasurements: | | |
| Return on Scheme assets excluding amounts included in interest income and interest expense | **246,261** | 245,580 |
| Employer contributions | **7,156** | 12,173 |
| Scheme participants' contributions | **17,693** | 13,603 |
| Benefits paid | **(106,285)** | (100,527) |
| Settlement payments | **(7,226)** | - |
| Business combinations, disposals and other | **(8,472)** | (4,765) |
| Fair value of Scheme assets at end of year | **3,826,319** | 3,520,104 |

*Actuarial assumptions:*

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

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

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

*Main financial assumptions:*

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| | **% p.a.** | % p.a. |
| Inflation (RPI) | **3.10** | 3.30 |
| Inflation (CPI) | **2.00** | 2.30 |
| Rate of general long-term increase in salaries | **3.60** | 4.20* |
| Rate of increase to pensions in payment | | |
| - inflation capped at 5% | **3.00** | 3.20 |
| - inflation capped at 3% | **2.50** | 2.50 |
| - inflation with a floor of 3% and a cap of 5% | **3.60** | 3.70 |
| Discount rate for Scheme liabilities | **3.91** | 4.50 |

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

*Mortality assumptions:*

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS tables scaled by a factor of 85.0% (2014: 82.5%) for males and 89.0% (2014: 92%) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2014 (2014: CMI2011) projections with a long term rate of improvement of 1.25% p.a (2014: 1%). The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

For the years ended September 30, 2015 and 2014 (in thousands of £)

***Sensitivity analysis:***

A one-half-percentage-point change of the established assumptions mentioned before, used for the calculation of the DBO as of September 30, 2015, would result in the following increase (decrease) of the DBO:

| | Effect on DBO as of September 30, 2015 due to | |
|---|---|---|
| | **One-half % Increase** | **One-half % Decrease** |
| Discount rate | **(287,715)** | **329,597** |
| Rate of compensation increase | **14,044** | **(13,433)** |
| Rate of pension progression | **313,045** | **(242,797)** |

In order to determine the longevity risk the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £91,733k as of September 30, 2015. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male Siemens employee aged 55 years as of September 30, 2015, increases by 1.0 years.

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

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

***Disaggregation of Scheme assets:***

The asset allocation of the Scheme is as follows:

| | **September 30, 2015** | | | September 30, 2014 | | |
|---|---|---|---|---|---|---|
| **Asset Class** | **Quoted market price in active market** | **No quoted market price in active market** | **Total** | Quoted market price in active market | No quoted market price in active market | Total |
| Equity securities: | | | | | | |
| *European equities* | **43,321** | - | **43,321** | 58,250 | - | 58,250 |
| *Emerging markets* | **49,094** | - | **49,094** | 58,776 | - | 58,776 |
| *International equities* | **613,605** | - | **613,605** | 633,760 | - | 633,760 |
| | **706,020** | - | **706,020** | 750,786 | - | 750,786 |
| Fixed income securities: | | | | | | |
| *Government bonds* | **1,394,689** | **41,256** | **1,435,945** | 1,039,186 | 53,834 | 1,093,020 |
| *Corporate bonds* | **822,258** | **11,726** | **833,984** | 707,044 | 5,289 | 712,333 |
| *Other* | - | **341,000** | **341,000** | - | 322,500 | 322,500 |
| | **2,216,947** | **393,982** | **2,610,929** | 1,746,230 | 381,623 | 2,127,853 |
| Alternative investments: | | | | | | |
| *Hedge Funds* | - | **156,826** | **156,826** | - | 140,219 | 140,219 |
| *Real estate* | - | **144,521** | **144,521** | - | 132,883 | 132,883 |
| | - | **301,347** | **301,347** | - | 273,102 | 273,102 |

For the years ended September 30, 2015 and 2014 (in thousands of £)

| | | | | | | |
|---|---|---|---|---|---|---|
| Derivatives: | | | | | | |
| *Interest risk* | - | **75,660** | **75,660** | - | 410,866 | 410,866 |
| *Foreign currency risk* | - | **(3,817)** | **(3,817)** | - | 1,775 | 1,775 |
| *Credit, Inflation and Price risk* | - | **(36,520)** | **(36,520)** | - | (187,791) | (187,791) |
| | - | **35,323** | **35,323** | - | 224,850 | 224,850 |
| Cash and other assets | **13,347** | **159,353** | **172,700** | 28,599 | 114,914 | 143,513 |
| **Total** | **2,936,314** | **890,005** | **3,826,319** | 2,525,615 | 994,489 | 3,520,104 |

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

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

***Future cash flows:***

Employer contributions expected to be paid to the Scheme in 2016 are £35,842k and employer deficit funding contributions expected to be paid to the Scheme in 2016 are £33,742k.

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

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

The effective date of the most recent triennial valuation for the Siemens Benefit Scheme was September 30, 2014.

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

***Expected pension benefit payments:***

| | **Year ended September 30,** |
|---|---|
| 2015 | **106,285** |
| 2016 | **93,593** |
| 2017 | **95,022** |
| 2018 | **100,067** |
| 2019 | **105,420** |
| 2020 | **112,176** |
| 2021-2025 | **672,200** |

***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 £36,074k (2014: £36,663k).

For the years ended September 30, 2015 and 2014 (in thousands of £)

**Other Pension Schemes**

The Company participated in two other defined benefit schemes ("Schemes") - the Siemens Fire Safety and Security (PFP) Pension Scheme (PFP) and the Railways Pension Scheme (RPS) for the whole of the period. The assets of the Schemes are held in separate trustee administrated funds. The amount of contributions to be paid is decided jointly by the employer and the trustees of the Schemes. Assets held in trust are governed by UK regulations and practice. The Schemes' investment strategies are decided by the trustees, in consultation with the employer. The boards of trustees must be composed of representatives of the employer and Scheme participants in accordance with the Scheme's legal documentation. The Schemes provide benefits based on final pensionable pay.

Siemens Plc is the principal employer of the PFP and a participating employer in the RPS, where Siemens has its own section. The whole of the PFP Pension Scheme and the RPS (section in the case of RPS) are included in the Company's financial statements.

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

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Company's share of the net amount recognised of the Schemes at beginning of year | **(615)** | (2,381) |
| Current service cost | **(624)** | (677) |
| Other finance cost | **(11)** | (89) |
| Liability administration expenses | **(35)** | (34) |
| Settlement losses arising from transactions with other group and former group companies | **(41)** | - |
| Contributions paid | **461** | 1,716 |
| Transfers from other group companies | | |
| Remeasurements included in Statement of Comprehensive Income | **(141)** | 850 |
| Company's share of the net amount recognised of the Schemes at end of year | **(1,006)** | (615) |
| Irrecoverable surplus* | **(839)** | (1,001) |

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

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Schemes at September 30, 2015. The Schemes' assets are stated at their market values at September 30, 2015.

The Schemes cover 310 participants, including 74 active employees, 148 former employees with vested benefits and 88 retirees and surviving dependents.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Schemes as at September 30, 2015. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

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

***Reconciliation of funded status to Statement of Financial Position:***

| | September 30, 2015 | 2014 |
|---|---|---|
| Fair value of Scheme's assets | **26,939** | 25,310 |
| Present value of funded defined benefit obligations | **(27,106)** | (24,924) |
| | **(167)** | 386 |
| Effect due to asset ceiling write off | **(839)** | (1,001) |
| Deficit recognised in the Statement of Financial Position | **(1,006)** | (615) |

For the years ended September 30, 2015 and 2014 (in thousands of £)

***Defined benefit costs are as follows:***

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Current service cost | 624 | 677 |
| Net interest expense | 1,134 | 1,097 |
| Net interest income | (1,168) | (1,008) |
| Interest on asset ceiling | 45 | - |
| Liability administration expenses | 35 | 34 |
| Components of defined benefit costs recognised in the Statement of Income | 670 | 800 |
| Return on Scheme assets (excluding amounts included in net interest expense and net interest income) | (469) | (1,202) |
| Remeasurement gains and losses | 818 | (649) |
| Changes in irrecoverable surplus, effect of limit in para 58(b)* | (207) | 1,001 |
| Remeasurements of defined benefit schemes recognised in the Statement of Comprehensive Income | 142 | (850) |
| Defined benefit costs | 812 | (50) |

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

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Defined benefit obligation at beginning of year | 24,924 | 24,172 |
| Current service cost | 624 | 677 |
| Interest expense | 1,134 | 1,097 |
| Remeasurements: | | |
| Remeasurement gains from changes in demographic assumptions | (373) | (115) |
| Remeasurement losses / (gains) from changes in financial assumptions | 1,412 | (49) |
| Experience gains | (221) | (485) |
| Scheme participants' contributions | 266 | 278 |
| Benefits paid | (508) | (616) |
| Business combinations, disposals and other | (152) | (35) |
| Defined benefit obligation at end of year | 27,106 | 24,924 |

The total DBO at the end of the year 2015 includes £8,648k for active employees (2014: £8,050k), £9,522k for former employees with vested benefits (2014: £9,704k) and £8,936k for retirees and surviving dependents (2014: £7,170k).

The weighted average durations of the DBO of the Schemes were as follows:

***Weighted average duration of the defined benefit obligation:***

| | September 30, 2015 (Years) | 2014 (Years) |
|---|---|---|
| Siemens Fire Safety and Security Scheme (PFP) | 18.0 | 19.0 |
| Railways Pension Scheme | 22.0 | 22.0 |

For the years ended September 30, 2015 and 2014 (in thousands of £)

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Fair value of Scheme assets at beginning of year | **25,310** | 21,791 |
| Interest income | **1,168** | 1,008 |
| Remeasurements: | | |
| Return on Scheme assets excluding amounts included in interest income and interest expense | **469** | 1,202 |
| Employer contributions | **461** | 1,716 |
| Scheme participants' contributions | **266** | 278 |
| Benefits paid | **(508)** | (616) |
| Settlement payments | **(40)** | - |
| Business combinations, disposals and other | **(152)** | (35) |
| Liability administration costs and other | **(35)** | (34) |
| Fair value of Scheme assets at end of year | **26,939** | 25,310 |

*Effect of asset ceiling & IFRIC 14 during the year:*

| | September 30, 2015 | 2014 |
|---|---|---|
| Effect due to asset ceiling at beginning of year | **1,001** | - |
| Effect due to asset ceiling write-off | **(207)** | 1,001 |
| Interest on asset ceiling | **45** | - |
| Effect due to asset ceiling at end of year * | **839** | 1,001 |

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

*Actuarial assumptions:*

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

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

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

*Main financial assumptions:*

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| | **% p.a.** | % p.a. |
| Inflation (RPI) | **3.10** | 3.30 |
| Inflation (CPI) | **2.00** | 2.30 |
| Rate of general long-term increase in salaries | **3.60** | 4.20* |
| Rate of increase to pensions in payment | | |
| -inflation capped at 5% | **3.00** | 3.20 |
| -inflation capped at 3% | **2.50** | 2.50 |

For the years ended September 30, 2015 and 2014 (in thousands of £)

| | | |
|---|---|---|
| -inflation with a floor of 3% and a cap of 5% | **3.60** | 3.70 |
| Discount rate for Scheme liabilities | **3.91** | 4.50 |

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

***Mortality assumptions:***

The post-retirement mortality assumptions used in valuing the liabilities of the Schemes' are based on appropriate standard tables published by the Institute and Faculty of Actuaries for males and females respectively. In addition, there is an allowance for future longevity improvements in line with the central CMI projections with a long term rate of improvement of 1.25% p.a (2014: 1%) (for the PFP Scheme) and 1.5% (2014: 1.5%) (for the RPS). The changes in mortality assumptions were adopted to reflect up-to date conditions as of the remeasurement date.

***Sensitivity analysis:***

A one-half-percentage-point change of the established assumptions mentioned before, used for the calculation of the DBO as of September 30, 2015, would result in the following increase (decrease) of the DBO:

| | **Effect on DBO as of September 30, 2015 due to** | |
|---|---|---|
| | **One-half % Increase** | **One-half % Decrease** |
| Discount rate | **(2,367)** | **2,685** |
| Rate of compensation increase | **435** | **(414)** |
| Rate of pension progression | **1,780** | **(1,627)** |

In order to determine the longevity risk the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £795k as of September 30, 2015. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male Siemens employee aged 55 years as of September 30, 2015 increases by 1.0 years on average across the Schemes.

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

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

***Disaggregation of Scheme assets:***

The asset allocation of the Scheme assets are as follows:

| | **September 30, 2015** | | | September 30, 2014 | | |
|---|---|---|---|---|---|---|
| **Asset Class** | **Quoted market price in active market** | **No quoted market price in active market** | **Total** | Quoted market price in active market | No quoted market price in active market | Total |
| Equity securities: | | | | | | |
| *International equities* | 9,796 | - | 9,796 | 9,534 | - | 9,534 |
| | 9,796 | - | 9,796 | 9,534 | - | 9,534 |
| Fixed income securities: | | | | | | |
| *Government bonds* | 10,560 | - | 10,560 | 9,364 | - | 9,364 |
| *Corporate bonds* | 4,916 | - | 4,916 | 4,641 | - | 4,641 |
| | 15,476 | - | 15,476 | 14,005 | - | 14,005 |
| Alternative investments: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Derivatives: | | | | | | |
| Cash and other assets | **1,667** | **-** | **1,667** | 1,771 | - | 1,771 |
| **Total** | **26,939** | **-** | **26,939** | 25,310 | - | 25,310 |

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

The trustee of each Scheme has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. This statement sets out the trustee's investment objectives and strategy. The trustee sets investment strategy taking into account the Scheme's liabilities, the strength of the funding position and the trustee's appetite to risk, after taking appropriate investment advice. The trustee for the PFP has allocated the Scheme's assets to a mix of asset classes, primarily bonds (fixed and index-linked gilts and investment grade corporate bonds) but also equities and other investments (diversified growth funds). The RPS Scheme is invested in a number of pooled funds operated by RPMI on behalf of the trustee; these funds offer diversification by region and asset class and are regularly reviewed by the trustee.

***Future cash flows:***

Employer contributions expected to be paid to the Schemes in 2016 are £636k and employer deficit funding contributions expected to be paid to the Scheme in 2016 are £216k.

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

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

The effective date of the most recent triennial valuation for the Schemes was:

Siemens Fire Safety and Security (PFP) Pension Scheme - March 31, 2012;
Railway Pension Scheme - December 31, 2013.

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

***Expected pension benefit payments:***

| | **Year ended September 30,** |
|---|---|
| 2015 | **508** |
| 2016 | **614** |
| 2017 | **637** |
| 2018 | **676** |
| 2019 | **706** |
| 2020 | **730** |
| 2021-2025 | **4,184** |

For the years ended September 30, 2015 and 2014 (in thousands of £)

**VA Tech UK Pension Scheme**

***Defined benefit plan***

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

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

Following a review of the Trust Deed and Rules of the VA Tech UK Pension Scheme ("Scheme"), the Company has become aware that the Scheme rules may contain an error affecting total pension liabilities. The Company is investigating the scope for rectification of the possible error. However, IAS 19 requires a liability to be recorded for such potential additional pension liabilities. Management has considered the implications of the error in line with IAS 8, Accounting policies and changes in accounting estimates, and does not consider the error to be material for the financial statements or the Irrecoverable Surplus.

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

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Company's share of the net amount recognised of the Scheme at beginning of year | **(1,394)** | - |
| Past service cost | **(199)** | - |
| Other finance cost | **(475)** | (42) |
| Contributions paid | **761** | - |
| Transfers from other group companies | **-** | (1,400) |
| Remeasurements included in Statement of Comprehensive Income | **594** | 48 |
| Company's share of the net amount recognised of the Scheme at end of year | **(713)** | (1,394) |
| Irrecoverable surplus * | **(4,424)** | (3,415) |
| Additional liability ** | **(713)** | (1,394) |

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

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

The disclosures which follow are for the VA Tech UK Pension Scheme as a whole.

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

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2015. The Scheme's assets are stated at their market values at September 30, 2015.

The Scheme covers 1,493 participants, including 190 active employees, 535 former employees with vested benefits and 768 retirees and surviving dependents.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at September 30, 2015. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

The Scheme is closed to new entrants.

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

For the years ended September 30, 2015 and 2014 (in thousands of £)

***Reconciliation of funded status to Statement of Financial Position:***

| | September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Fair value of Scheme assets | **256,573** | 227,883 |
| Present value of funded defined benefit obligations | **(196,226)** | (188,761) |
| | **60,347** | 39,122 |
| Effects due to asset ceiling write off | **(60,347)** | (39,122) |
| Effects due to IFRIC 14 additional liability | **(9,500)** | (18,590) |
| Deficit recognised in the Statement of Financial Position | **(9,500)** | (18,590) |

***Defined benefit costs are as follows:***

| | Year ended September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Net interest expense | **8,495** | 8,374 |
| Net interest income | **(10,682)** | (9,603) |
| Interest on asset ceiling | **1,760** | 802 |
| Interest on additional liability | **837** | 1,228 |
| Liability administration expenses | **167** | - |
| Components of defined benefit costs recognised in the Statement of Income | **577** | 801 |
| Return on Scheme assets (excluding amounts included in net interest expense and net interest income) | **(13,625)** | (9,793) |
| Remeasurement gains and losses | **4,568** | (56) |
| Change in irrecoverable surplus* | **19,465** | 20,508 |
| Change in additional liability ** | **(9,927)** | (9,928) |
| Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income | **481** | 731 |
| Defined benefit costs | **1,058** | 1,532 |

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

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

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

| | September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Defined benefit obligation at beginning of year | **188,761** | 186,106 |
| Interest expense | **8,495** | 8,374 |
| Remeasurements: | | |
| Remeasurement (losses) / gains from changes in demographic assumptions | **(9,870)** | - |
| Remeasurement gains from changes in financial assumptions | **14,438** | - |
| Experience gains / (losses) | **-** | (56) |
| Scheme participants' contributions | **1,170** | 1,472 |
| Benefits paid | **(6,163)** | (6,743) |

For the years ended September 30, 2015 and 2014 (in thousands of £)

| | | |
|---|---|---|
| Business combinations, disposals and other | **(605)** | (392) |
| Defined benefit obligation at end of year | **196,226** | 188,761 |

The total DBO at the end of the year 2015 includes £57,515k for active employees (2014: £51,591k (restated)), £57,006k for former employees with vested benefits (2014: £48,160k (restated)) and £81,705k for retirees and surviving dependents (2014: £89,010k (restated)).

The weighted average duration of the DBO was 18.5 years (2014: 19.0 years).

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

| | September 30, 2015 | 2014 |
|---|---|---|
| Fair value of Scheme assets at beginning of year | **227,883** | 203,918 |
| Interest income | **10,682** | 9,603 |
| Remeasurements: | | |
| Return on Scheme assets excluding amounts included in interest income and interest expense | **13,625** | 9,793 |
| Employer contributions | **10,148** | 10,232 |
| Scheme participants' contributions | **1,170** | 1,472 |
| Benefits paid | **(6,163)** | (6,743) |
| Business combinations, disposals and other | **(605)** | (392) |
| Liability administration costs and other | **(167)** | - |
| Fair value of Scheme assets at end of year | **256,573** | 227,883 |

***Effect of asset ceiling & IFRIC 14 during the year:***

| | September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Effect due to asset ceiling at beginning of year | **39,122** | 17,812 |
| Effect due to asset ceiling write-off | **19,465** | 20,508 |
| Interest on asset ceiling | **1,760** | 802 |
| Effects due to asset ceiling at end of year * | **60,347** | 39,122 |
| | | |
| Additional liability due to IFRIC 14 at beginning of year | **18,590** | 27,290 |
| Additional liability due to IFRIC 14 | **(9,927)** | (9,928) |
| Interest on IFRIC 14 liability | **837** | 1,228 |
| Additional liability due to IFRIC 14 at end of year ** | **9,500** | 18,590 |

* The Company has written off any surplus where no future economic benefit can be derived having taken legal advice on the terms of the Trust Deed and Rules.

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

***Actuarial assumptions:***

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

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

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

For the years ended September 30, 2015 and 2014 (in thousands of £)

*Main financial assumptions:*

| | Year ended September 30, | |
|---|---|---|
| | 2015 | 2014 |
| | % p.a. | % p.a. |
| Inflation (RPI) | 3.10 | 3.30 |
| Inflation (CPI) | 2.00 | 2.30 |
| Rate of general long-term increase in salaries | 3.60 | 4.20* |
| Rate of increase to pensions in payment | | |
| -inflation capped at 5% | 3.00 | 3.20 |
| -inflation capped at 3% | 2.50 | 2.50 |
| -inflation with a floor of 3% and a cap of 5% | 3.60 | 3.70 |
| Discount rate for Scheme liabilities | 3.91 | 4.50 |

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

*Mortality assumptions:*

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS tables scaled by a factor of 0.5 (2014: 82.5%) for males and 1.50 (2014: 92%) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2014 (2014: CMI2011) projections with a long term rate of improvement of 1.25% (2014: 1%) p.a. The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

*Sensitivity analysis:*

A one-half-percentage-point change of the established assumptions mentioned before, used for the calculation of the DBO as of September 30, 2015, would result in the following increase (decrease) of the DBO:

| | Effect on DBO as of September 30, 2015 due to | |
|---|---|---|
| | One-half % Increase | One-half % Decrease |
| Discount rate | (15,458) | 16,895 |
| Rate of compensation increase | 1,226 | (1,200) |
| Rate of pension progression | 6,803 | (6,572) |

In order to determine the longevity risk the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £5,142k as of September 30, 2015. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male Siemens employee aged 55 years as of September 30, 2015, increases by 0.9 years.

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

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

For the years ended September 30, 2015 and 2014 (in thousands of £)

***Disaggregation of Scheme assets:***

The asset allocation of the Scheme is as follows:

| | September 30, 2015 | | | September 30, 2014 | | |
|---|---|---|---|---|---|---|
| Asset Class | Quoted market price in active market | No quoted market price in active market | Total | Quoted market price in active market | No quoted market price in active market | Total |
| Equity securities: | | | | | | |
| *European equities* | - | - | - | 6,498 | - | 6,498 |
| | - | - | - | 6,498 | - | 6,498 |
| Fixed income securities: | | | | | | |
| *Government bonds* | 147,275 | - | 147,275 | 107,660 | - | 107,660 |
| *Corporate bonds* | 28,487 | - | 28,487 | 26,919 | - | 26,919 |
| | 175,762 | - | 175,762 | 134,579 | - | 134,579 |
| Alternative investments: | | | | | | |
| *Other* | - | 77,543 | 77,543 | - | 86,155 | 86,155 |
| | - | 77,543 | 77,543 | - | 86,155 | 86,155 |
| Derivatives: | | | | | | |
| Cash and other assets | 3,268 | - | 3,268 | 651 | - | 651 |
| **Total** | 179,030 | 77,543 | 256,573 | 141,728 | 86,155 | 227,883 |

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

The trustee of the Scheme has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. This statement sets out the trustee's investment objectives and strategy. The trustee sets investment strategy taking into account the Scheme's liabilities, the strength of the funding position and the trustee's appetite to risk, after taking appropriate investment advice. The trustee has allocated the Scheme's assets to a mix of asset classes, primarily bonds (fixed and index-linked gilts and investment grade corporate bonds). The trustee has also entered into a bulk annuity contract with Pension Insurance Corporation ("PIC").

***Future cash flows:***

Employer contributions expected to be paid to the Scheme in 2016 are £10,150k and employer deficit funding contributions expected to be paid to the Scheme in 2016 are £9,500k.

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

For the years ended September 30, 2015 and 2014 (in thousands of £)

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

The effective date of the most recent triennial valuation for the VA Tech UK Pension Scheme was April 5, 2012.

*Expected pension benefit payments:*

| | Year ended September 30, |
|---|---|
| 2015 | **6,163** |
| 2016 | **5,996** |
| 2017 | **6,356** |
| 2018 | **6,613** |
| 2019 | **6,881** |
| 2020 | **7,320** |
| 2021-2025 | **42,685** |

**27. Provisions**

Provisions changed during 2015 as follows:

| | Warranties | Order related losses and risks | Asset retirement obligations | Onerous lease obligations | Other | Total |
|---|---|---|---|---|---|---|
| Balance at beginning of year | 30,277 | 16,758 | 7,099 | 11,935 | 18,709 | 84,778 |
| Additions | 9,577 | 43,449 | 409 | 2,541 | 6,678 | 62,654 |
| Usage | (6,517) | (28,357) | (40) | (970) | (3,390) | (39,274) |
| Reversals | (10,294) | (3,052) | (119) | (392) | (4,086) | (17,943) |
| Transfers to/from group companies | 340 | 1,975 | - | (8,362) | 6,023 | (24) |
| Reclassification to liabilities held for disposal | (1,963) | (27,299) | (591) | - | (666) | (30,519) |
| **Balance at end of year** | **21,420** | **3,474** | **6,758** | **4,752** | **23,268** | **59,672** |
| Current provisions | | | | | | **41,250** |
| Non-current provisions | | | | | | **18,422** |

*Warranties*

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

*Order related losses and risks*

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

*Asset retirement obligation*

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

*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 underutilised. During the year a review of all onerous lease obligations was performed in light of the 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.

For the years ended September 30, 2015 and 2014 (in thousands of £)

*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 in Energy contracts.

## 28. Other financial liabilities

| | September 30, 2015 | 2014 |
|---|---|---|
| Other | **292** | 936 |
| | **292** | 936 |

## 29. Share capital

**Allotted, called up and fully paid:**

| | September 30, 2015 Number | £ '000 | September 30, 2014 Number | £ '000 |
|---|---|---|---|---|
| Ordinary shares of £1 each | **1,000,000** | **1,000** | 1,000,000 | 1,000 |

## 30. Commitments and contingencies

*Guarantees and other commitments*

The Company gave guarantees and performance bonds in respect of contractual obligations totalling £17,284k (2014: £8,860k). These agreements have terms typically ranging between 1 and 30 years.

As of September 30, 2015 future payment obligations under non-cancellable operating leases are as follows:

| | 2015 Total | 2014 Total |
|---|---|---|
| Within one year | **43,989** | 60,121 |
| After one year but not more than five years | **125,104** | 118,188 |
| More than five years | **298,794** | 126,502 |

Future payment obligations include those relating to Healthcare, with a total of £5,141k.

Total operating rental expense for the years ended September 30, 2015 and 2014 was £43,933k and £44,239k respectively.

*Contingent liabilities*

Gas insulated switchgear

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. The action claims damages arising in consequence of the EU Commission's decision of January 24, 2007 relating to gas insulated switchgear. The Company and Siemens AG together with the other subsidiaries named in the claim will be vigorously defending the claim and, consequently, no provision has been recorded in these financial statements in respect of the claim.

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 31. 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 £1,789k and £1,513k for the year ended September 30, 2015 and 2014 respectively, and refers primarily to equity-settled awards, including the Siemens AG employee share purchase program.

***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 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, 2015 Siemens AG granted 41,463 (2014: 43,738) stock awards to 177 employees (2014: 186 UK employees). Details on stock award activity and weighted average grant-date fair value are summarised in the table below:

| | Year ended September 30, | | Year ended September 30, | |
|---|---|---|---|---|
| | Awards | Weighted average grant-date fair value (€) | Awards | Weighted average grant-date fair value (€) |
| | 2015 | 2015 | 2014 | 2014 |
| Non-vested, beginning of period | **143,979** | **59.29** | 141,580 | 60.79 |
| Granted | **41,463** | **59.20** | 43,738 | 73.19 |
| Vested | **(5,191)** | **56.97** | (27,610) | 77.86 |
| Forfeited | **(7,271)** | **60.37** | (13,729) | 56.51 |
| Non-vested, end of period | **172,980** | **59.29** | 143,979 | 59.29 |

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 €59.20 and €73.19, respectively, per stock award granted in 2015 and 2014. Total fair value of stock awards granted in 2015 and 2014 amounted to €2,455k and €3,201k respectively.

As of September 30, 2015, unrecognised compensation costs related to stock awards amounted to €89k (2014: €84k) which is expected to be recognised over a weighted average vesting period of 2.05 years (2014: 2.34 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.

For the years ended September 30, 2015 and 2014 (in thousands of £)

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.

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 and €5.56 per instrument respectively. The fair values of the resulting matching shares granted were €20.32 and €21.34 for grants made on November 30, 2008 and December 17, 2008 respectively. In the year ended September 30, 2015 Siemens AG granted 6,695 (2014: 6,372) shares to 520 (2014: 554) 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,** | | Year ended September 30, | |
|---|---|---|---|---|
| | ***Awards*** | ***Weighted* average grant-date fair value (€)** | *Awards* | *Weighted average* grant-date fair value (€) |
| | **2015** | **2015** | 2014 | 2014 |
| Non-vested, beginning of period | **16,420** | **59.36** | 15,372 | 57.56 |
| Granted | **6,695** | **69.43** | 6,372 | 77.00 |
| Vested | **(4,396)** | **47.26** | (3,882) | 63 |
| Forfeited | **(1,856)** | **62.96** | (1,443) | 57.66 |
| Non-vested, end of period | **16,863** | **66.11** | 16,420 | 59.36 |

Total fair value of shares granted under the share matching plan in 2015 and 2014 amounted to €465k and €491k respectively.

As of September 30, 2015, unrecognised compensation costs related to the share matching plan amounted to €7k (2014: €7k), which is expected to be recognised over a weighted average vesting period of 1.33 years (2014: 1.3 years).

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 32. Additional disclosures on financial instruments

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

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

| | September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Financial assets | | |
| Loans and receivables | **586,434** | 979,759 |
| Cash and cash equivalents | **-** | 374 |
| Derivatives designated in a hedge accounting relationship | **9,798** | 12,102 |
| Derivatives not designated in a hedge accounting relationship | **5,358** | 2,215 |
| | **601,590** | 994,450 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | **651,815** | 852,865 |
| Derivatives designated in a hedge accounting relationship | **5,675** | 4,711 |
| Derivatives not designated in a hedge accounting relationship | **2,198** | 945 |
| | **659,688** | 858,521 |

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

| | September 30, 2015 Fair value | 2015 Carrying value | 2014 Fair value (Restated) | 2014 Carrying value (Restated) |
|---|---|---|---|---|
| Financial assets measured at cost or amortised cost | | | | |
| Cash and cash equivalents | **-** | **-** | 374 | 374 |
| Trade and other receivables | **557,892** | **557,892** | 924,382 | 924,382 |
| Other current financial assets | **20,447** | **20,447** | 10,246 | 10,246 |
| Other assets | **8,095** | **8,095** | 45,131 | 45,131 |
| | **586,434** | **586,434** | 980,133 | 980,133 |
| Financial liabilities measured at cost or amortised cost | | | | |
| Trade payables | **171,728** | **171,728** | 176,193 | 176,193 |
| Other current financial liabilities | **6,117** | **6,117** | 13,617 | 13,617 |
| Other financial liabilities | **473,970** | **473,970** | 663,055 | 663,055 |
| | **651,815** | **651,815** | 852,865 | 852,865 |

For the years ended September 30, 2015 and 2014 (in thousands of £)

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

Fixed-rate and variable-rate receivables, including receivables from finance leases, are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As of September 30, 2015 and 2014, the carrying amounts of such receivables, net of allowances, approximate their fair values.

The fair value of quoted notes and bonds is based on price quotations at the period-end date. The fair value of unquoted notes and bonds, loans from bank and other financial indebtedness, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities.

The fair value of available-for-sale financial assets quoted in an active market is based on price quotations at the period-end date. The fair value of unquoted debt instruments is estimated by discounting future cash flows using current market interest rates.

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

| | September 30, | |
|---|---|---|
| | **2015** | 2014 |
| Financial assets measured at fair value | | |
| Derivative financial instruments | **15,156** | 14,317 |
| *Not designated in a hedge accounting relationship* | ***5,358*** | *2,215* |
| *In connection with fair value hedges* | ***2,271*** | *6,264* |
| *In connection with cash flow hedges* | ***7,527*** | *5,838* |
| Financial liabilities measured at fair value | | |
| Derivative financial instruments | **7,873** | 5,656 |
| *Not designated in a hedge accounting relationship* | ***2,198*** | *945* |
| *In connection with fair value hedges* | ***678*** | *2,422* |
| *In connection with cash flow hedges* | ***4,997*** | *2,289* |

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

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

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

**Fair value hierarchy**

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

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

All of the Company's derivative financial instruments as at September 30, 2015 and 2014 are categorised as level 2.

For the years ended September 30, 2015 and 2014 (in thousands of £)

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

| | September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Loans and receivables | **52** | (205) |
| Derivatives with a hedging relationship | **(10,207)** | (11,899) |
| Derivatives without a hedging relationship | **5,970** | 8,421 |
| Financial assets / (liabilities) measured at amortised cost | **2,339** | 1,221 |

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

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

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

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

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

**Collateral**

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

**Derivative financial instruments and hedging activities**

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

***Foreign currency exchange risk management***

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

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

| | 2015 Asset | 2015 Liability | 2014 Asset | 2014 Liability |
|---|---|---|---|---|
| Foreign currency exchange contracts without hedging relationship | **5,358** | **2,198** | 2,215 | 945 |
| Foreign currency exchange contracts in connection with fair value hedges | **2,271** | **678** | 6,264 | 2,422 |
| Foreign currency contracts in connection with cash flow hedges | **7,527** | **4,997** | 5,838 | 2,289 |
| | **15,156** | **7,873** | 14,317 | 5,656 |

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

***Derivative financial instruments not designated in a hedging relationship***

The Company manages its risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and forecast transactions primarily through a Company-wide portfolio approach. Under this approach the Company-wide risks are aggregated centrally, and various derivative financial instruments, primarily foreign exchange contracts, are utilised to minimise such risks. In certain cases this strategy qualifies for hedge accounting treatment under 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 in line items *Other current financial assets* or *Other current financial liabilities*, and changes in fair values are charged to *net income or loss*.

The Company also has foreign currency derivative instruments, which are embedded in certain sale and purchase contracts denominated in a currency that is neither the functional currency of the substantial parties to the contract nor a currency which is commonly used in the economic environment in which the contract takes place. Gains or losses relating to such embedded foreign currency derivatives are reported in Cost of sales in the Statement of Income. 2015: £(997)k (2014: £2,014 k).

***Hedging activities***

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

***Fair value hedges***

As of September 30, 2015 and 2014, 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, 2015 and 2014 the hedging transactions resulted in the recognition of financial assets of £678k and £2,541k, respectively, and financial liabilities of £2,271k and £6,456k, 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. Changes in fair value of the derivative contracts of £1,972k (2014: £(1,849)k) were also recorded in *Cost of goods sold and services rendered* in the Statement of Income.

***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, 2015 and 2014, £(2,827)k and £(1,860)k respectively were reclassified from *Other Comprehensive Income* into net income because the occurrence of the related hedged forecasted transaction was no longer probable.

It is expected that £1,204k of accumulated gains or losses due to the revaluation of derivative hedging instruments in *Other Comprehensive Income* will be reclassified into *Cost of goods sold and services rendered* in the Statement of Income during the year ended September 30, 2016, when the hedged forecasted foreign-currency denominated sales and purchases occur.

As of September 30, 2015 the maximum length of time over which the Company is hedging its future cash flows associated with foreign currency forecasted transactions is 132 months.

**Financial risk management**

***Interest rate risk***

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

The approximate impact on the Statement of Income of a 1% fluctuation in interest rates would be £2,479k in 2015.

***Credit risk***

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

Concerning trade receivables and other receivables, as well as other receivables included in *Other financial assets* that are neither impaired nor past due, there were no indications as of September 30, 2015, 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 optimise the allocation of the financial resources across the Company, as well as to secure an optimal return for its shareholder, the Company identifies, analyses and proactively manages the associated financial market risks.

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

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

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

***Equity price risk***

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

***Foreign currency exchange rate risk***

*Transaction risk and currency management*

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

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

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

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

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

For the years ended September 30, 2015 and 2014 (in thousands of £)

The tables below show the net foreign exchange transaction exposure by major currencies as of September 30, 2015 and 2014:

| As at September 30, 2015 | US$ | DKK | Euro | Other | Total |
|---|---|---|---|---|---|
| Gross Statement of Financial Position exposure | **(435)** | **7,160** | **(820)** | **(238)** | **5,667** |
| *Thereof: Financial asset* | - | *7,160* | *1,381* | *50* | *8,591* |
| *Thereof: Financial liabilities* | *(435)* | - | *(2,201)* | *(288)* | *(2,924)* |
| Gross exposure from firm commitments and anticipated transactions | **1,160** | **104** | **(18,566)** | **2,365** | **(14,937)** |
| Foreign exchange transaction exposure | **725** | **7,264** | **(19,386)** | **2,127** | **(9,270)** |
| Economically hedged exposure | **(705)** | **(2,377)** | **7,968** | **(2,428)** | **2,458** |
| Change in future cash flows after hedging activities resulting from 10% appreciation of GBP | 2 | 489 | (1,142) | (30) | (681) |

| As at September 30, 2014 | US$ | DKK | Euro | Other | Total |
|---|---|---|---|---|---|
| Gross Statement of Financial Position exposure | **2,903** | - | **(855)** | **(1,541)** | **507** |
| *Thereof: Financial asset* | *4,015* | - | *9,716* | - | *13,731* |
| *Thereof: Financial liabilities* | *(1,112)* | - | *(10,571)* | *(1,541)* | *(13,224)* |
| Gross exposure from firm commitments and anticipated transactions | 12,725 | 13,008 | 12,359 | (1,644) | 36,448 |
| Foreign exchange transaction exposure | **15,628** | **13,008** | **11,504** | **(3,185)** | **36,955** |
| Economically hedged exposure | (14,454) | (14,491) | (10,027) | 2,544 | (36,428) |
| Change in future cash flows after hedging activities resulting from 10% appreciation of GBP | 117 | (148) | 148 | (64) | 53 |

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

***Liquidity risk***

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

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

| | 2016 | 2017 | 2018 to 2020 | 2021 and thereafter |
|---|---|---|---|---|
| Non derivative financial liabilities | **177,477** | **2,873** | **26,811** | - |
| Obligations under finance leases | **1,840** | **884** | **26,811** | - |
| Trade payables | **170,031** | **1,697** | - | - |
| Other financial liabilities | **6,117** | **292** | - | - |
| Derivative financial liabilities | **6,172** | **739** | **135** | **827** |

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2015.

The Company has £51,063k (2014: £29,110k) amounts due to group companies included in trade payables. Historically other group companies have not demanded repayment of these intercompany balances.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the years ended September 30, 2015 and 2014 (in thousands of £)**

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

| | September 30, 2015 | 2014 (Restated) |
|---|---|---|
| Cash and cash equivalents | - | 374 |
| Receivables from group companies | **247,923** | 140,705 |
| Total liquidity | **247,923** | 141,079 |
| Short term debt and current maturities of long term debt | **199** | 712 |
| Liabilities under finance leases | **4,030** | 6,673 |
| Long term debt | **460,587** | 646,177 |
| Total debt | **464,816** | 653,562 |
| Net debt | **(216,893)** | (512,483) |

In addition to the balances above, which are held with Siemens AG in the group cash pooling facility, receivables from Siemens group companies of £140,803k (2014: £613,851k), amounts due to Siemens group companies of £51,063k (2014: £29,110k) are held outside this facility. Historically other Siemens group companies have not demanded repayment of these intercompany balances.

***Capital Management***

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

The current ratio for 2015 was 1.45 (2014: 1.79). The Company also has access to Siemens AG cash pooling arrangement when necessary.

For the years ended September 30, 2015 and 2014 (in thousands of £)

## 33. Related party transactions

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

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

| | Sales of goods | | Rental income and other services sold | | Purchases of goods | | Rental expense and other services purchased | | Interest income | | Interest expense | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Year ended 2015** | Year ended 2014 | **Year ended 2015** | Year ended 2014 | **Year ended 2015** | Year ended 2014 | **Year ended 2015** | Year ended 2014 | **Year ended 2015** | Year ended 2014 | **Year ended 2015** | Year ended 2014 |
| Parent company | **-** | - | **1,388** | 1,424 | **-** | - | **-** | - | **1,718** | 2,215 | **13,584** | 14,385 |
| Other Siemens group companies | **306,504** | 287,233 | **187,231** | 160,271 | **693,630** | 1,481,990 | **1,736** | 2,110 | **661** | 824 | **3,325** | 8,990 |

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

| | Purchases of property | | Sales of property | | Transfers of leases | | Transfers of other assets | | Transfers of research and development | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Year ended 2015** | Year ended 2014 | **Year ended 2015** | Year ended 2014 | **Year ended 2015** | Year ended 2014 | **Year ended 2015** | Year ended 2014 | **Year ended 2015** | Year ended 2014 |
| Other Siemens group companies | **-** | 1,196 | **1,015** | 3,564 | **-** | - | **473** | 70,387 | **16,223** | 13,698 |

The purchase and sale of properties and transfers of other assets in relation to acquisitions and disposals of other Siemens companies in the year are disclosed in note 4.

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

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Other Siemens group companies | **92** | 38 | **49,087** | 26,255 |

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

The amounts owed to group companies for purchases of goods given above are disclosed within inventory as goods in transit in 2015 and 2014.

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

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Parent company | **118,005** | 369,090 | **458,637** | 533,725 |
| Other Siemens group companies | **270,629** | 385,428 | **3,926** | 115,307 |

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.

For the years ended September 30, 2015 and 2014 (in thousands of £)

### 34. Remuneration of key management personnel

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

| | Year ended September 30, 2015 | 2014 |
|---|---|---|
| Short-term employee benefits | **1,855** | 2,641 |
| Post-employment benefits | **36** | 44 |

### 35. Directors' transactions

No such transactions occurred in 2015 or 2014 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the directors (or other key management personnel).

### 36. Subsequent events

The Company disposed of the Healthcare Division for £224.7m on October 1, 2015. Further details are disclosed in note 4.

On October 1, 2015, the Company bought the trade and assets of Zenco Systems Limited, a fellow subsidiary of Siemens Holdings plc, for £9.6m. This will form part of the Mobility Division.

On October 1, 2015, the Company provided a short-term loan of £112,351k to its immediate parent, Siemens Holdings plc, for the purpose of funding Siemens Healthcare Limited. This loan will be reviewed for renewal periodically, but at least every 3 months.

### 37. Ultimate parent undertaking

The ultimate parent undertaking is Siemens AG, incorporated in Germany. Siemens AG is the only group undertaking of which the Company is a member for which group financial statements are prepared. Copies of the group financial statements are available on the internet at 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 England and Wales.