SIEMENS PLC
Annual report and financial statements
Registered number 727817
September 30, 2018

SIEMENS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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SIEMENS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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, 2018.

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, industrial and building automation and drive technology. 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

On September 26, 2017 Siemens AG and Alstom S.A. signed a memorandum of understanding to combine Siemens AG's mobility business, including its rail traction drives business with Alstom S.A. On June 1, 2018 the Company's mobility business was carved out as the first step in the intended merger of Siemens AG's mobility business with Alstom S.A. The mobility business is classified as a discontinued operation. On September 1, 2018 the Mechanical Drives business was carved out of the Company to a separate legal entity to promote synergies and growth opportunities within this specialised market. Please refer to note 3 for further details on the acquisitions and disposals.

Siemens AG had announced that it would list its global Healthineers business in 2018. The Company (as principal employer of the Siemens Benefits Scheme) had been advised by the Trustee that it would not be prepared to transfer the liabilities of certain scheme members who did not have a direct link to employment in the UK Healthcare business ('orphans') to a new UK Healthineers scheme without the consent of the individual members. These liabilities (and associated assets) sat on the balance sheet of Siemens Healthcare Limited. As a result the Company on December 15, 2017 and Siemens Healthcare Limited agreed to transfer the liabilities and associated assets of the orphans to the Company at book value at an off market price for no consideration. The Company has recorded a deemed capital contribution to reflect this transfer. This reserve is not distributable.

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The warning signs in the global economy and the ongoing uncertainty exhibited within the UK economy, partly as a result of the ongoing negotiation of Britain's exit from the European Union, has been noted by the directors. An evaluation of the potential impact of market factors is undertaken regularly by the management so that the Company can respond appropriately. The current situation over Brexit is difficult to judge and to evaluate. The potential impact on the business has been evaluated on a short term view only. Due to the high level of uncertainty the evaluation from a long term view does not appear to be reasonable, as the assumptions taken for the short term view might differ over the coming months as further negotiations with all parties involved are ongoing. There is no impact on the figures presented as at September 30, 2018.

Review of Statement of Income

Year on year revenue grew by 10% (£72m) for the continuing businesses, primarily driven by the Power and Gas division, which had growth of 32%, with revenue increasing by £47m and the Energy Management division with a 9% (£18m) increase in revenue mostly due to strong customer relationships in the metering business unit within the division.

The Company's operating profit has increased by £661m, for the continuing business. This is predominantly driven by a gain on disposal of Mobility business (£792m, see note 6).

Interest income has increased by £3m, to £5.9m as a result of the interest on the intercompany deposits with Siemens Financial Services (another Siemens group company) after the gain on the sale of the Mobility business, as well as an increase of £5.7m on finance income from pension plans due to an increased discount rate.

Interest expense reduced by £0.6m primarily due to the re-payment of a intercompany loan, reducing interest payments for the Company.

There was no dividend income in the current year. A dividend of £20m was paid in the year to the parent of the Company, Siemens Holdings plc.

The performance in 2018 is in line with the expectations of the directors, and the directors believe the results for the year reflect the ongoing trading performance of the Company.

The Company made a net income for the financial year, net of taxation of £875m (2017: Restated £201m).

Review of Statement of Financial Position Total assets increased by £445m, largely due to the proceeds from the disposal of the Mobility business. Pension plan assets also increased by £135m (34%) due to contributions paid and the transfer in of the Healthcare orphans as described above.

Total liabilities reduced by £420m in the current year primarily due to the disposal of liabilities as part of the carve out of the Mobility business. The majority of the remaining balance relates to a long term loan with Siemens Holdings plc (see note 23) and trade payables.

Equity has increased mainly due to net income for the year of £875m which includes a gain on disposal of the Mobility division of £792m. Retained earnings increased by £848m due to the gain on disposal in the year, offset by an actuarial loss for the year of £8.6m (£7.1m net of deferred tax) and a dividend payment of £20m to Siemens Holdings plc.

Review of Statement of Cash Flows

Cash flows from operating activities show an outflow of £120m in the current year compared to an inflow of £11m in the prior year.

The primary driver for the outflow relates to the pension contributions made in the year. The outflow is also due to a decrease in current liabilities in the year.

Cash flows from investing activities have resulted in an inflow of £769m compared to £158m in the prior year. This is largely due to proceeds from the sale of the Siemens Mobility and Mechanical Drives businesses.

Cash flows from financing activities show an outflow of £649m compared to £169m in the prior year. This outflow is due to an increase in intercompany receivables due to cash held on deposit as a result of the proceeds of the sale of the Mobility business.

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 decreased by 12% compared to the prior year (excluding Wind Power). The reduction in new orders is primarily driven by some exceptionally large orders received in the Mobility division in the prior year.

The Process Drives and Digital Factory Divisions have increased their order intake by 19% and 11% respectively.

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.

Signed by order of the board of directors

S E A Davina
Company Secretary

Approved by the directors on March 25, 2019

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:

M Ferraro	Resigned January 1, 2018
S E A Davina	
J Maier	
A Noon	Appointed January 1, 2018

None of the directors holding office at September 30, 2018 had notified a beneficial interest in any contract to which the Company were a party during the financial year.

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

DIVIDENDS

The directors have recommended and paid a dividend in 2018, of £20m representing a dividend of £20 per share (2017: £nil).

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company spent £(982)k (2017: £(456)k) on research and development.

FINANCIAL INSTRUMENTS

The Company's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 29 to the financial statements.

GOING CONCERN

Based on the Company's forecasts, the directors consider that the Company will continue the trend of previous years and will trade profitably and generate positive cash flows from operations over the 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 group 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 2018 Siemens AG annual report.

For 2018, 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.

SUBSEQUENT EVENTS

On September 1, 2018 the Company carved out the Mechanical Drives business unit to Flender Limited, another Siemens group company. As at September 30, 2018, only the preliminary purchase price of £2,566k had been agreed. On October 31, 2018, the final purchase price of £3,540k was agreed, and subsequently paid, an increase in the preliminary purchase price of £974k. As this was an adjusting post balance sheet event, the financial statements were updated to take account of this amendment to the purchase price.

On October 26, 2018, the High Court released a ruling regarding a claim involving Lloyds Banking Group's defined benefit pension schemes. The court concluded that schemes should be amended in order to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the court have a potential consequence for many other defined benefit pension schemes. We are currently working with the trustees of our pension scheme, and our actuarial and legal advisers, to understand the extent to which the judgement crystallises additional liabilities.

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+ Business Excellence", business suggestion schemes and the staff dialogue process.

Environmental

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

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 a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

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

Signed by order of the board of directors

S E A Davina
Company Secretary

Approved by the directors on March 25, 2019

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, 2018

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

Opinion on financial statements

We have audited the financial statements of Siemens plc for the year ended September 30, 2018 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 35, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at September 30, 2018 and of its net income 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.

Basis for opinion on financial statements

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Ernst & Young LLP
25 March 2019

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

SIEMENS PLC

STATEMENT OF INCOME

For the years ended September 30, 2018 and 2017 (in thousands of £)

	Note	2018	2017 (Restated)
Revenue	4	**790,907**	719,178
Cost of sales		**(712,839)**	(646,996)
Gross profit		**78,068**	72,182
Research and development income		**982**	456
Marketing and distribution expenses		**(56,392)**	(53,474)
Administrative expenses		**(3,607)**	(5,757)
Other operating income	6	**804,352**	148,490
Operating profit	5	**823,403**	161,897
Interest income	9	**5,855**	2,903
Interest expenses	9	**(11,199)**	(11,778)
Interest income from pension plans and similar commitments, net	9	**11,899**	6,194
Income from continuing operations before income taxes		**829,958**	159,216
Income tax expenses	10	**(8,282)**	(3,365)
Income from continuing operations, net of income taxes		**821,676**	155,851
Income from discontinued operations, net of income taxes	3	**53,466**	44,810
Net income for the financial year		**875,142**	200,661

SIEMENS PLC

STATEMENT OF COMPREHENSIVE INCOME
For the years ended September 30, 2018 and 2017 (in thousands of £)

	Note	2018	2017 (Restated)
Net income for the financial year		**875,142**	200,661
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans (losses) / gains	24	**(8,584)**	69,096
Deferred tax credit / (charge) on remeasurement (losses) / gains		**1,459**	(11,513)
Deemed capital contribution		**34,453**	-
Effect due to asset ceiling in respect of the defined benefit pension scheme	24	**-**	(1,372)
Total items that will not be reclassified to profit or loss		**27,328**	56,211
Items that may be reclassified subsequently to profit or loss			
(Losses) / gains on derivative financial instruments	29	**(20,990)**	3,954
Deferred tax credit / (charge) on (losses) / gains on derivative financial instruments		**3,437**	(593)
		(17,553)	3,361
Total items that may be reclassified subsequently to profit or loss		(17,553)	3,361
Other comprehensive income, net of income taxes		9,775	59,572
Total comprehensive income		**884,917**	260,233
Attributable to: Owners of the Company		**884,917**	260,233

SIEMENS PLC

STATEMENT OF FINANCIAL POSITION

For the years ended September 30, 2018 and 2017 (in thousands of £)

	Note	2018	2017 (Restated)
ASSETS			
Cash and cash equivalents		**13**	-
Trade and other receivables	11	**1,689,515**	1,134,803
Other current financial assets	12	**4,541**	27,453
Contract assets	4	**44,633**	93,574
Inventories	14	**24,775**	94,684
Current income tax assets		**10,178**	11,867
Other current assets	15	**8,898**	14,575
Assets classified as held for disposal	3	-	2,546
Total current assets		**1,782,553**	1,379,502
Goodwill	16	**315,850**	325,100
Other intangible assets	17	**37,205**	40,548
Investment properties	18	**3,969**	4,267
Property, plant and equipment	18	**110,554**	150,270
Other financial assets	19	**5,053**	45,865
Pension plans and similar assets	24	**538,057**	402,569
Deferred tax assets	10	-	264
Other assets		**22**	21
Total non-current assets		**1,010,710**	968,904
Total assets		**2,793,263**	2,348,406
LIABILITIES AND EQUITY			
Short-term debt	23	**659**	429
Trade payables	21	**99,787**	191,698
Other current financial liabilities	20	**5,176**	8,924
Contract liabilities	4	**87,500**	291,599
Current provisions	25	**7,520**	23,574
Other current liabilities	22	**78,756**	166,933
Total current liabilities		**279,398**	683,157
Long-term debt	23	**282,821**	291,052
Post-employment benefits	24	**447**	3,228
Provisions	25	**11,111**	27,749
Other liabilities		**2,478**	10,713
Deferred tax liabilities	10	**95,496**	75,862
Total non-current liabilities		**392,353**	408,604
Total liabilities		**671,751**	1,091,761

SIEMENS PLC

STATEMENT OF FINANCIAL POSITION
For the years ended September 30, 2018 and 2017 (in thousands of £)

		2018	2017 (Restated)
Equity			
Share capital	26	**1,000**	1,000
Capital contribution reserve		**418,650**	384,247
Cash flow hedging reserve		**(1,128)**	16,425
Retained earnings		**1,702,990**	854,973
Total equity		**2,121,512**	1,256,645
Total liabilities and equity		**2,793,263**	2,348,406

These financial statements were approved and authorised for issue by the board of directors on March 25, 2019 and were signed on their behalf by:

A Noon
Director

Registered number: 727817
Siemens plc

SIEMENS PLC

STATEMENT OF CASH FLOWS
For the years ended September 30, 2018 and 2017 (in thousands of £)

	Note	2018	2017 (Restated)
Cash flows from operating activities			
Net income for the financial year		**875,142**	200,661
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation and amortisation	5, 17, 18	**25,407**	27,537
Income tax expenses	10	**20,813**	14,221
Interest expenses, net	9	**5,344**	5,573
Defined benefit pension income in Statement of Income	24	**(11,899)**	(13,581)
Gains on disposal of property, plant and equipment, net	6	**(13,033)**	(1,748)
Gains on sales of investments / operations	6, 36	**(791,587)**	(176,202)
Impairment of goodwill	6, 16	**-**	39,205
Impairment of property, plant and equipment	5, 18	**-**	726
Other non-cash (income) / expenses		**(20,990)**	3,955
Operating profit before changes in working capital and provisions		**89,197**	100,347
Changes in assets and liabilities			
Inventories		**13,809**	49,332
Contract assets		**(5,818)**	(8,575)
Trade and other receivables		**(51,433)**	(19,682)
Other current assets		**2,892**	8,492
Trade payables and accrued expenses		**(33,684)**	21,469
Contract liabilities		**21,634**	9,425
Current provisions		**(5,534)**	(8,057)
Other current liabilities		**(39,439)**	30,589
long-term assets		**1**	935
long-term liabilities		**(8,667)**	(929)
Cash (used in) / generated from operations		**(17,042)**	183,346
Income taxes paid		**(609)**	(71,362)
Interest paid		**(4,521)**	(5,486)
Defined benefit pension contributions paid	24	**(97,927)**	(95,563)
Cash flows from operating activities		**(120,099)**	10,935
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	17, 18	**(37,099)**	(44,318)
Disposal of intangibles and property, plant and equipment	17, 18	**18,308**	28,560
Disposals of businesses, net of cash disposed	3	**787,796**	175,687
Sales / (purchase) of trade and assets of other entities	3	**-**	(1,652)
Cash flows from investing activities		**769,005**	158,277

STATEMENT OF CASH FLOWS
For the years ended September 30, 2018 and 2017 (in thousands of £)

		2018	2017 (Restated)
Cash flows from financing activities			
Change in financing from other group companies	11, 21	**(620,662)**	(160,679)
Dividends paid	35	**(20,000)**	-
Proceeds from issuance of long-term debt	23	**(8,231)**	(8,592)
Cash flows from financing activities		**(648,893)**	(169,271)
Change in cash and cash equivalents		**13**	(59)
Cash and cash equivalents at the beginning of the year		-	59
Cash and cash equivalents at the end of the year		**13**	-

The cash flows from the acquired operations are not considered to be material for a separate disclosure.

The cash flow statement above reflects the movements from continuing and discontinued operations. In 2018 the Company classified the Mobility business as discontinued. The cash and cash equivalents balance as at September 30, 2018 within this Division was £nil (see note 3). The significant balances for the Mobility Division were as follows:

	2018	2017
Net cash provided by operating activities – discontinued operations	122,730	61,457
Net cash (used in) investing activities – discontinued operations	(2,570)	382
Net cash used in financing activities - discontinued operations	(120,160)	(61,839)

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, 2018 and 2017 (in thousands of £)

	Note	Share capital	Capital contribution reserve	Cash flow hedging reserve	Retained earnings	Total equity
Brought forward October 1, 2016		1,000	383,660	6,655	598,092	989,407
Net income for the financial year		-	-	-	200,670	200,670
Other comprehensive income, net of income taxes		-	-	3,361	56,211	59,572
Total comprehensive income for the financial year		-	-	3,361	256,881	260,242
Equity settled share based payments		-	(5,457)	-	-	(5,457)
Recharge from ultimate parent undertaking		-	5,457	-	-	5,457
Deferred Tax on share based payments		-	587	-	-	587
Transfer to other group company		-	-	6,409	-	6,409
Balance at September 30, 2017		1,000	384,247	16,425	854,973	1,256,645
Brought forward October 1, 2017		**1,000**	**384,247**	**16,425**	**854,973**	**1,256,645**
Net income for the financial year		-	-	-	**875,142**	**875,142**
Other comprehensive income, net of income taxes		-	**34,453**	**(17,553)**	**(7,125)**	**9,775**
Total comprehensive income for the financial year		-	**34,453**	**(17,553)**	**868,017**	**884,917**
Equity settled share based payments		-	**(3,007)**	-	-	**(3,007)**
Recharge from ultimate parent undertaking		-	**3,007**	-	-	**3,007**
Deferred Tax on share based payments		-	**(50)**	-	-	**(50)**
Dividends to equity holders	35	-	-	-	**(20,000)**	**(20,000)**
Balance at September 30, 2018		**1,000**	**418,650**	**(1,128)**	**1,702,990**	**2,121,512**

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.

The transfer to other group company made in 2017 relates to the carve out of the Wind Power division.

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 plans. The payments madé 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 group companies in the UK have been made in note 28.

On December 15, 2017 Siemens Healthcare Limited, a company which is under common control, transferred the pension assets of certain Siemens Benefit Scheme members to Siemens plc for an off market price of £34,452k for no consideration. The Company has recorded a deemed capital contribution to reflect this transfer. This reserve is not distributable.

Other comprehensive income

Other comprehensive income is allocated to retained earnings with the exception of £(17,553)k (2017: £3,361k) which relates to gains /(losses) on derivative financial instruments. This is allocated to the cash flow hedging reserve.

Dividends to equity holders

A dividend of £20m was paid in the year (2017: £nil) representing £20 per share.

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 European Union and applied in accordance with the Companies Act 2006. The financial statements were authorized for issue by the Board of Directors on March 25, 2019. 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 £. Due to rounding, numbers presented may not add up precisely to totals provided. 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, 2018. 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 2018, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next twelve months from the date of approval of the financial statements. Thus, the Company continues to adopt the going concern basis of preparation for the financial statements.

2. Summary of significant accounting policies and critical accounting estimates

Business combinations — Business combinations (other than those from Siemens group companies) are accounted for under the acquisition method. 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. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are remeasured to fair value.

Business integrations from Siemens group companies are accounted for either:

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

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

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

For the years ended September 30, 2018 and 2017 (in thousands of £)

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

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

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

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

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards.

IFRS 15 was adopted retrospectively as of October 1, 2017, i.e. the comparable prior year period is presented in accordance with IFRS 15 (using practical expedients). The adoption had an impact on the line items of the Statements of Income, total cash flows from operating, investing and financing activities and statement of financial position in the year ended September 30, 2017. The following tables summarise the impacts of adopting IFRS 15:

Impact on statement of Income (decrease) in net income

	2017
Revenue	(7,299)
Cost of Sales	6,451
Gross Profit / (loss)	(848)
Operating Profit / (loss)	(848)
Income / (expense) from continuing operations before income taxes	(848)
Income tax (expenses) / credit	145
Net income impact in the financial year	(703)

Impact on Statement of Financial Position

	Statement of Financial Position as at September 30, 2017			Statement of Financial Position as at October 1, 2016	
(In £'000)	Previously reported	Adjustments	Restated	Previously reported	Restated
Total Assets	**2,339,686**	**8,720**	**2,348,406**	2,482,663	2,482,663
Thereof Contract assets	-	**93,574**	**93,574**	-	-
Thereof Inventories	**179,683**	**(84,999)**	**94,684**	-	-
Deferred tax	**119**	**145**	**264**		
Total Liabilities	**(1,082,338)**	**(9,423)**	**(1,091,761)**	(1,493,256)	(1,493,256)
Thereof Contract liabilities	-	**(291,599)**	**(291,599)**	-	-
Thereof Other current liabilities	**(449,109)**	**282,176**	**(166,933)**	-	-
Total Equity	**(1,257,348)**	**703**	**(1,256,645)**	(989,407)	(989,407)

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

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

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

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

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

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

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

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

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

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

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

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

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired companies, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, discounted cash flow calculations use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. See note 16 for further information.

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

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). This 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. Depreciation expense is recognised using the straight-line method. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Investment properties	40 to 50 years
Other buildings	5 to 10 years
Leasehold improvements	1 to 15 years
Technical machinery & equipment	generally 10 years
Furniture & office equipment	generally 5 years
Equipment leased to others	generally 3 to 7 years

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

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

Discontinued operations and non-current assets held for disposal — Discontinued operations are reported when a component of an entity is classified as held for disposal or has been disposed of, if the component represents a separate major line of business or geographical area of operations and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. In the Statement of Income, income (loss) from discontinued operations is reported separately from income and expenses from continuing operations; prior periods are presented on a comparable basis. In the Statement of Cash Flow, the cash flows from discontinued operations are presented separately from cash flows of continuing operations; prior periods are presented on a comparable basis.

The Company classifies a non-current asset or a disposal group (outside discontinued operations) as held for disposal if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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. Depreciation and amortisation ceases. The determination of the fair value less costs to sell includes the use of estimates and assumptions that tend to be uncertain.

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

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

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

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

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

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

For further explanation of the movement in provisions in the year see note 25.

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

Financial instruments — A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company does not use the category held to maturity and does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases. For additional information refer to note 29.

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

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognised in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Receivables from finance leases are recognised at an amount equal to the net investment in the lease. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned - cash and cash equivalents, available-for-sale financial assets, loans and receivables, financial liabilities, measured at amortised cost or financial assets and liabilities classified as held for trading.

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 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, the Company measures available-for-sale financial assets 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. 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. The allowance for doubtful accounts involves significant management judgement and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, the Company also considers country credit ratings, which are determined by the group based on information from external rating agencies. Regarding the determination of the valuation allowance derived from a portfolio-based analysis of historical bad debts, a decline of receivables in volume results in a corresponding reduction of such provisions and vice versa. The movement on the valuation allowance is given in note 11.

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

Derivative financial instruments — Derivative financial instruments, such as foreign currency exchange contracts, are measured at fair value and classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognised either in the Statement of Income or, in the case of a cash flow hedge, in line item *Other comprehensive income*, net of income taxes (applicable deferred income tax). 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 until 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 income taxes (applicable deferred income tax), and any ineffective portion is recognised immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

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

- Leases in which the Company is the lessee:

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

- Leases in which the Company is the lessor:

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

Pension costs and other post-retirement benefits

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

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

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

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

Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rates of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available discount rates are based on government bonds yields. Due to changing market, economic and social conditions the underlying key assumptions may differ from actual developments. For a discussion of the current funded status see note 24.

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

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

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

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

Residual values — Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions. Residual values are set at the commencement of the lease based upon management's expectation of future sale proceeds. During the course of the lease, residual values are monitored so as to identify any changes. The monitoring takes account of the company's history for residual values and projections of the likely future market for each group of assets. Any variance in the residual value is recognised by the Company and charged or credited to the statement of income over the remaining lives of the operating leases of the assets concerned.

New and amended standards effective for the year ended September 30, 2018:

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments, effective for annual periods beginning on or after January 1, 2017, to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment has not had a significant impact on the Company.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

The amendments, effective for annual periods beginning on or after January 1, 2017, to IAS 12 Income Taxes clarify the accounting for deferred tax assets for unrealised losses on debt instruments at fair value. The amendments clarify that a company needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how a company should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. This amendment has not had a significant impact on the Company.

New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2018 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

In July 2014, the IASB issued IFRS 9, Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in. This provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018. The Company will adopt IFRS 9 for the fiscal year beginning as of October 1, 2018 and will not adjust comparative figures for the preceding fiscal year, in accordance with IFRS 9 transitional provisions. The Company assessed the effects of adopting IFRS 9 and expects only limited impact on its Financial Statements. The Company will apply the simplified impairment model to recognise lifetime expected credit losses of trade receivables, contract assets and lease receivables. Existing hedge accounting relationships will also meet the hedge accounting requirements under IFRS 9.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognise right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company will adopt the standard for the fiscal year beginning as of October 1, 2019, by applying the modified retrospective approach, i.e. comparative figures for the preceding year will not be adjusted. Currently, it is expected that the majority of the transition effect relates to real estate leased by the Company. By applying IFRS 16, straight-line operating lease expense will be replaced by depreciation expense on right-of-use assets and interest expense on lease liabilities. This results in a deterioration in cash flows from financing activities and an improvement in cash flows from operating activities. The Company is currently assessing further impacts of adopting IFRS 16 on the Consolidated Financial Statements. It is intended to use most of the simplifications available under IFRS 16.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The amendments, effective for annual periods beginning on or after January 1, 2018, to IFRS 2 Classification and Measurement of Share-based Payment transactions addresses three main areas:

- the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction,
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations
- the accounting where a modification to the terms and conditions of share-based payment transaction changes its classification from cash-settled to equity-settled.

The Company is currently assessing the impact of this amendment.

IAS 40 - Transfers of Investment Property - (Amendments to IAS 40)

The amendments, effective for years beginning after January 1, 2018, to IAS 40 clarifies when a Company should transfer property, including property under construction or development into, or out of investment property. The amendments state that change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Company is currently assessing the impact of this amendment.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation, effective for years beginning after January 1, 2018, clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the Company must determine a date of the transactions for each payment or receipt of advance consideration. The Company is currently assessing the impact of this amendment.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The interpretation, effective for years beginning after January 1, 2019, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Company is currently assessing the impact of this amendment.

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

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business, as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The Company is assessing the impact of this amendment.

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

The amendments effective for years beginning after 1 January 2019, address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The Company is currently assessing the impacting of this amendment.

For the years ended September 30, 2018 and 2017 (in thousands of £)

3. Acquisitions and discontinued operations

a) Acquisitions in the previous year

Trade and asset acquisitions of group companies

The Company did not acquire the trade and assets of any group companies during the year ending September 30, 2018. The trade and assets of the following group companies were acquired during the financial year ending September 30, 2017:

Name of company acquired from	**Date of acquisition**	**Division**
Siemens Protection Devices Limited	August 1, 2017	Energy Management

The acquired Siemens Protection Devices Limited business engages in global R&D, product lifecycle management, customer support and business development. These services were previously recharged to Siemens AG, however the decision was made to integrate the activities into Siemens Plc.

The total net assets acquired were:

	Year ended September 30,	
	2018	2017
Trade and other receivables	-	276
Inventories	-	964
Corporation tax receivables	-	966
Other current assets	-	6
Property, plant and equipment	-	299
Deferred tax assets	-	156
	-	2,667
Trade payables	-	20
Other current financial liabilities	-	14
Intragroup liabilities	-	42
Other current liabilities	-	691
Other liabilities	-	96
Pension plans and similar commitments	-	152
	-	1,015
Net identifiable assets and liabilities	-	1,652
Consideration	-	1,652

Fair value of consideration was made up of cash of £1,652k.

The above net identifiable assets and liabilities were valued at acquisition at fair value (based on book values where appropriate). Consideration for the trade and assets acquired from group companies was settled via intercompany accounts or cash.

For the years ended September 30, 2018 and 2017 (in thousands of £)

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, 2018	2017
Revenue	-	1,943,070
Operating profit	-	214,418

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

b) Discontinued operations (Mobility)

The assets and liabilities of the Mobility Division were disposed of in the year ended September 30, 2018. On June 1, 2018 the assets and liabilities of the Mobility Division were sold to Siemens Mobility Limited, for a consideration of £785m, resulting in a gain on disposal of £791m (including £21m hedge accounting gain). The following classes of assets and liabilities were disposed of in the year:

	Year ended September 30, 2018	Year ended September 30, 2017
Trade and other receivables	**107,087**	-
Inventories	**55,381**	-
Contract assets	**54,759**	-
Other current financial assets	**24,281**	-
Other current assets	**1,401**	-
Goodwill	**9,250**	-
Other intangible assets	**1,099**	-
Property, plant and equipment	**50,896**	-
Other financial assets	**42,098**	-
Other non-current assets	**11,192**	-
Assets disposed of in the year	**357,444**	-
Trade payables	**53,173**	-
Other current financial liabilities	**1,442**	-
Other current liabilities	**24,335**	-
Contract Liabilities	**225,692**	-
Current provisions	**10,404**	-
Deferred tax liabilities	**1,883**	-
Other liabilities	**895**	-
Provisions	**16,532**	-
Other financial liabilities	**4,276**	-
Liabilities disposed of in the year	**338,632**	-

For the years ended September 30, 2018 and 2017 (in thousands of £)

The net result of the Mobility Division discontinued operations presented in the Statement of Income consists of the following components:

	Year ended September 30, 2018	2017
Revenue	**1,482,141**	1,212,657
Cost of sales	**(1,393,972)**	(1,126,790)
Gross profit	**88,169**	85,867
Research and development expenses	**(3,758)**	(5,184)
Marketing and distribution expenses	**(18,417)**	(28,701)
Administrative expenses	**(1,454)**	(554)
Other operating income	**(301)**	54
Operating profit	**64,239**	51,482
Interest income	**1,736**	3,330
Interest expense	**22**	(30)
Net income from discontinued operations before income taxes	**65,997**	54,782
Income tax expense on discontinued operations (see note 10)	**(12,531)**	(10,690)
Net income from discontinued operations after income taxes	**53,466**	44,092

c) Acquisitions / disposals after the year end

There were no acquistions or disposals in the subsequent event period for the year ended September 30, 2018.

For the years ended September 30, 2018 and 2017 (in thousands of £)

d) Discontinued operations (SWP)

The assets and liabilities of the Wind Power Division were classified on the Statement of Financial Position as held for disposal at September 30, 2016 and measured at the lower of their carrying amount or fair value less costs to sell. On December 1, 2016 the assets and liabilities of the Wind Power Division were sold to Siemens Wind Power Limited, resulting in a gain on disposal of £176,202k.

The following classes of assets and liabilities were disposed of for the year ended September 30, 2017:

	Year ended September 30, **2018**	2017
Trade and other receivables	-	90,052
Inventories	-	61,771
Other current financial assets	-	56,533
Other current assets	-	10,229
Property plant and equipment	-	104,960
Other financial assets	-	9,837
Other non-current assets	-	48,395
Assets that have been disposed of in the year	-	381,777
Trade payables	-	35,732
Intragroup liabilities	-	501
Other current financial liabilities	-	64,280
Other current liabilities	-	225,632
Current provisions	-	1,352
Deferred tax liabilities	-	(693)
Other liabilities	-	6,621
Provisions	-	604
Other financial liabilities	-	4,036
Liabilities associated with assets that have been disposed of in the year	-	338,065
Amounts included in accumulated OCI:		
Available for sale	-	1,731
Deferred tax	-	(468)
Reserves associated with assets associated with disposal in the year	-	1,263
Assets classified as held for sale - Property held for disposal	-	2,546

The net result of the Wind Power (2017) Division discontinued operations presented in the Statement of Income consists of the following components:

	Year ended September 30, **2018**	2017
Revenue	-	133,893
Cost of sales	-	(130,507)
Gross profit	-	3,386
Research and development expenses	-	12
Marketing and distribution expenses	-	(2,280)
Administrative expenses	-	(128)
Other operating income	-	(30)
Operating income	-	960
Interest expense	-	(68)
Net Income from discontinued operations before income taxes	-	892
Income taxes	-	(174)
Net income from discontinued operations	-	718

For the years ended September 30, 2018 and 2017 (in thousands of £)

4. Revenue

Revenue is earned from and analysed into the following business categories and also further categorised as to whether the revenue recognition from customer sales is predominantly at a point in time or over time:

Goods transferred at a point in time = PIT

Goods and services transferred over time = OT

	Timing of revenue recognition	Year ended September 30, 2018	2017 (Restated)
Building Technologies	PIT	52,726	54,545
Digital Factory	PIT	177,483	173,878
Energy Management	PIT	228,553	210,201
Process Industries and Drives	PIT	90,099	82,570
Power and Gas	OT	194,159	146,973
Real Estate		46,422	49,483
Other *		1,465	1,528
		790,907	719,178

Timing of revenue recognition

The transaction price allocated to the remaining performance obligations (Unsatisfied or partially satisfied) as at September 30, 2018 are as follows:

	2018 Within one year	More than one year	2017 Within one year	More than one year
Building Technologies	28,537	13,068	32,063	22,642
Digital Factory	12,732	324	8,450	142
Energy Management	76,116	53,648	71,029	50,895
Process Industries and Drive	21,673	5,778	38,358	3,047
Power and Gas	131,887	754,429	116,112	613,499
	270,945	827,247	266,012	690,225

Contract Balances

	Year ended September 30, 2018	2017 (Restated)
Trade receivables	107,004	154,510
Contract assets	44,633	93,574
Contract liabilities	(87,500)	(291,599)

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Also refer to note 11.

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

*Other revenue includes service revenue from other Siemens operating companies in the UK. This revenue relates to services provided in the areas of professional services, IT support and solutions, facilities management and human resources.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2018 and 2017 (in thousands of £)

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

	Year ended September 30, 2018	2017 (Restated)
Net foreign exchange loss / (gain)	636	(996)
Research and development income	(982)	(456)
Depreciation of property, plant and equipment	19,794	21,961
Amortisation of intangible assets	5,613	5,573
Impairment of plant, property and equipment	-	726
Impairment of goodwill	-	39,205
Direct operating expenses in connection with investment properties	491	427
Staff costs (see note 7)	324,458	346,120
Research and Development Expenditure Credit	(158)	-
Grants received	(991)	(1,163)
Auditor's remuneration:		
- audit of financial statements	729	748

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £24k (2017: £62k).

6. Other operating income

	Year ended September 30, 2018	2017 (Restated)
Impairment of goodwill	-	(39,205)
Profit on disposal of property, plant and equipment and intangibles	13,033	1,748
Profit on disposal of businesses	791,587	176,202
Other	(268)	9,745
	804,352	148,490

The impairment of goodwill in 2017 represented continuing operations and related to the Energy Management Division. Please refer to note 16 for further details.

The profit on disposal of businesses in the current year predominantly relates to the disposal of the Mobility Division. The profit on disposal of businesses in the prior year relates to the disposal of the Wind Power Division.

Further detail on the profit on disposal of business can be found in note 3, discontinued operations.

Other income of £9m in the prior year related to the release of a pension liability in the year, following an assessment that the Company no longer had a legal obligation in relation to the liability.

The profit on disposal of property, plant and equipment and intangibles, mainly relates to the disposal of land, in Manchester.

For the years ended September 30, 2018 and 2017 (in thousands of £)

7. Staff numbers and costs

	Year ended September 30, 2018	2017
Wages and salaries	**275,039**	297,306
Social security costs	**29,709**	31,109
Expenses relating to pension plans and employee benefits	**19,710**	17,705
	324,458	346,120

Staff numbers and costs include continuing and discontinued operations.

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 2018 and 2017 was 4,695 and 5,720, 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, 2018 Number	2017 Number
Manufacturing and services	**3,141**	4,083
Sales and marketing	**1,468**	1,568
Research and development	**86**	69
	4,695	5,720

8. Directors' emoluments

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

	Year ended September 30, 2018	2017
Emoluments receivable	**1,901**	2,081
Employer contributions to money purchase schemes	**24**	19
	1,925	2,100

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £901,356 (2017: £977,285). One director is a member of the defined contributions scheme. No directors are a member of a defined benefit scheme. The accrued annual pension benefit of the highest paid director at the year-end was £nil (2017: £133,082), and the accrued lump sum was £nil (2017: £nil). Share-based payments are described in note 28. Three of the directors have shares receivable from a long-term incentive scheme.

For the years ended September 30, 2018 and 2017 (in thousands of £)

9. Interest income and interest expense

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

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

	Year ended September 30, 2018	2017 (Restated)
Interest income	5,874	2,969
Interest income	(19)	(66)
Interest income, net	5,855	2,903
Interest expense	(11,199)	(11,778)
Interest expense	(11,199)	(11,778)
Interest income from pension plans and similar commitments	106,623	93,712
Interest expense from pension plans and similar commitments	(94,724)	(87,518)
Interest income from pension plans and similar commitments	11,899	6,194
Thereof: Interest income of operations, net	1,691	2,928
Thereof: Other interest expense, net	(7,035)	(11,803)

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

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

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

For the years ended September 30, 2018 and 2017 (in thousands of £)

10. Taxes

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

	Year ended September 30, 2018	2017
Current tax:		
UK corporation tax	**3,641**	(4,422)
Foreign income taxes	**-**	47
Adjustments for prior years	**(1,344)**	3,694
	2,297	(681)
Deferred tax:		
Origination and reversal of temporary differences - current year	**20,216**	16,288
Origination and reversal of temporary differences - prior years	**(1,700)**	(1,386)
	18,516	14,902
Tax expense	**20,813**	14,221
Income tax expense in the Statement of Income is disclosed as follows:		
Income tax expense on continuing operations	**8,282**	3,365
Income tax expense on discontinued operations	**12,531**	10,856
	20,813	14,221

Of the deferred tax expense in 2018 and the deferred tax expense in 2017, £18,734k and £15,045k respectively, relate to the origination and reversal of temporary differences.

For the years ended September 30, 2018 and 2017, the Company was subject to UK corporation tax at a rate of 19% and 19.5% (20% during the 6 months to April 1, 2017 and 19% during the 6 months to September 30, 2017) 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, 2018	2017
Net income before tax Continuing and discontinued operations	**895,955**	214,890
Tax at 19% (2017: 19.5%)	**170,231**	41,904
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	**2,163**	6,897
Tax-free gains from sales of business	**(145,917)**	(34,567)
Over provided in prior years - deferred tax	**(1,942)**	(1,386)
(Over) / under provided in prior years - current tax	**(1,344)**	3,694
Irrecoverable foreign tax	**-**	38
Rate change adjustment difference between Corporation Tax and Deferred Tax rate	**(2,470)**	(2,359)
Other	**92**	-
Total income tax expense for the year	**20,813**	14,221

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 2016 included a reduction in the corporate tax rate to 19% (effective from April 2017) and to 17% (effective from April 2020). Deferred tax assets and liabilities have been measured at the enacted tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

For the years ended September 30, 2018 and 2017 (in thousands of £)

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

		September 30,
	2018	2017
Assets:		
Liabilities	**2,835**	264
Deferred tax assets	**2,835**	264

Liabilities:		
Other intangible assets	**(3,994)**	(4,231)
Property, plant and equipment	**(2,943)**	(3,550)
Pension plans and similar commitments	**(91,394)**	(67,880)
Other liabilities	**-**	(201)
Deferred tax liabilities	**(98,331)**	(75,862)
Total deferred tax liabilities, net	**(95,496)**	(75,598)

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, 2018 the Company has £nil (2017: £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.

11. Trade and other receivables

		September 30,
	2018	2017
Trade receivables from the sale of goods and services	**107,004**	154,510
Receivables from group companies	**1,582,321**	979,169
Receivables from finance leases	**190**	1,124
	1,689,515	1,134,803

As of October 1, 2018 the company no longer sells trade receivables from the sale of goods and services to Siemens AG as part of a globally implemented decision. During 2018 the company has sold trade receivables from the sale of goods and services amounting to £62,671k (2017: £64,352k) to Siemens AG. As at September 30, 2018 an amount of £nil (2017: £25,485k) 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 £ 407 k (2017: £739k) and settlement discounts of £189k (2017: £159k).

As at September 30, 2018, *receivables from group companies* include a deposit of £1,505m with Siemens Finance B.V. Interest rates of which ranged from 0.25% to 0.75%.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2018 and 2017 (in thousands of £)

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, 2018	2017
Valuation allowance as of beginning of fiscal year	**1,818**	2,278
Creation	**288**	3,193
Usage	**-**	(100)
Reversal	**(1,310)**	(3,553)
Transfer out to group companies	**(262)**	-
Valuation allowance as of fiscal year-end	**534**	1,818

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

	September 30, Gross 2018	Allowance 2018	September 30, Gross 2017	Allowance 2017
Current	**83,439**	**(236)**	126,608	(1,031)
30 days overdue	**7,814**	**(24)**	20,148	(140)
31 - 60 days overdue	**10,720**	**(58)**	3,837	(82)
61 – 90 days overdue	**1,862**	**(42)**	2,557	(122)
91+ days overdue	**3,703**	**(174)**	3,178	(443)
	107,538	**(534)**	156,328	(1,818)

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

	September 30, 2018	2017
Receivables from finance leases, current	**190**	1,124
Receivables from finance leases, long-term portion (see note 19)	**5,053**	45,865
	5,243	46,989
Thereof: Land and buildings	**-**	40,796
Thereof: Technical machinery & equipment	**5,243**	6,193

Land and buildings includes the unguaranteed residual value of £nil (2017: £121,387k) and unearned finance income of £nil (2017: £(82,185)k) related to the Thameslink Depots.
Minimum future lease payments to be received are as follows:

Year	
2019	**700**
2020	**576**
2021	**576**
2022	**576**
2023	**576**
Thereafter	**2,407**
Minimum future lease payments	**5,411**

For the years ended September 30, 2018 and 2017 (in thousands of £)

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

	September 30, 2018	2017
Minimum future lease payments	**5,411**	7,868
Plus: Unguaranteed residual value	**-**	121,387
Gross investment in leases	**5,411**	129,255
Less: Unearned finance income	**(118)**	(82,185)
Net investment in leases	**5,293**	47,070
Less: Allowance for doubtful accounts	**(50)**	(81)
Present value of minimum lease payments receivable	**5,243**	46,989

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

	September 30, 2018	2017
Gross investment in leases	**5,411**	7,868
Within one year	*700*	1,376
One to five years	*2,304*	4,218
Thereafter	*2,407*	2,274
Present value of minimum lease payments receivable	**5,243**	46,989
Within one year	*692*	1,232
One to five years	*2,249*	3,948
Thereafter	*2,302*	41,809

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

12. Other current financial assets

	September 30, 2018	2017
Derivative financial instruments	**836**	24,694
Other current financial assets	**3,705**	2,759
	4,541	27,453

13. Contract assets and liabilities

As of September 30, 2018 and 2017, amounts expected to be settled after twelve months are £13,170k and £10,971k for contract assets and £22,323k and £17,990k, respectively, for contract liabilities. As of September 30, 2018 and 2017, contract assets were £44,633k and £93,574k respectively. The reduction of contract assets in 2018 mainly relates to the carve out of Mobility balances.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2018 and 2017 (in thousands of £)

14. Inventories

		September 30,
	2018	2017 (Restated)
Raw materials and supplies	**9,292**	13,956
Work in progress	**5,118**	4,860
Costs and earnings in excess of billings on uncompleted contracts	**7,347**	37,152
Finished goods and products held for resale	**2,992**	46,796
Advances to suppliers	**26**	219
	24,775	102,983
Advance payments received	**-**	(8,299)
	24,775	94,684

Cost of sales include inventories recognised as an expense amounting to £746,434k and £1,820,158k, respectively, in fiscal year 2018 and 2017.

15. Other current assets

		September 30,
	2018	2017 (Restated)
Other tax receivables	**-**	133
Prepaid expenses	**7,788**	8,796
Other	**1,110**	5,646
	8,898	14,575

For the years ended September 30, 2018 and 2017 (in thousands of £)

16. Goodwill

	September 30, 2018	2017
Cost		
Balance at beginning of year	**410,196**	429,234
Disposals and reclassification to assets classified as held for disposal	**(9,250)**	(19,038)
Balance at end of year	**400,946**	410,196
Accumulated impairment losses		
Balance at beginning of year	**(85,096)**	(64,929)
Impairment losses recognised during the period	**-**	(39,205)
Disposals and reclassification to assets classified as held for disposal	**-**	19,038
Balance at end of year	**(85,096)**	(85,096)
Net book value		
Balance at beginning of year	**325,100**	364,305
Balance at end of year	**315,850**	325,100

The disposal in the year relates to the disposal of the Mobility Division (2017: Wind Power division).

Impairment of Goodwill

The carrying amount of goodwill across the various divisions as well as the impairment review process is detailed below:

	Goodwill September 30, 2018	2017
Energy Management	**314,711**	314,711
Mobility	**-**	9,250
Process Industries and Drives	**1,139**	1,139
Balance at end of year	**315,850**	325,100

For further information on acquisitions, disposals and discontinued operations see note 3.

The Company performs the mandatory annual impairment test in the three months ended September 30, in accordance with the accounting policy stated in note 2. The recoverable amounts for the annual impairment test 2018 for the majority of the Company's divisions were estimated to be higher than the carrying amounts. Key assumptions on which management has based its determinations of the value in use for the divisions' carrying amount include terminal value growth rates up to 1.7% in 2018 (2017: 1.5%), and after-tax discount rates of 5.5% to 9.5% in 2018 and 2017. Where possible, reference to market prices is made.

Management has recognised an impairment charge of £nil (2017: £39,205k) against goodwill in the Energy Management division with a carrying amount of £314,711k as at 30 September 2018. The impairment charge was recorded within Other Operating Expenses in the statement of income. It is considered that the impairment was triggered by a deterioration in the oil and gas markets in 2017.

For the purpose of estimating the recoverable amount of the divisions, 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 value in use is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Both assumptions are determined individually for each division or equivalent. Discount rates reflect the current market assessment of the risks specific to each division and are based on the weighted average cost of capital for the divisions. 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 is higher than its carrying amount as at 30 September 2018 following the 2017 impairment described above.

The terminal value growth rate used in estimating the recoverable amount for the Energy Management Division was 1.7%. A reduction in the terminal value growth rate by 0.5% would result to an impairment of £2m.

The after-tax discount rate used in estimating the recoverable amount for the Energy Management Division was 8.5%. An increase in the after-tax discount rate of 1.0% would result to an impairment of £32m.

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

For the years ended September 30, 2018 and 2017 (in thousands of £)

17. Other intangible assets

	Development cost	**Software**	**Patents, licenses & similar rights**	**Other**	**Total**
Cost					
At October 1, 2016	1,303	22,729	16,431	71,778	112,241
Additions	-	2,019	221	-	2,240
Retirements	(121)	(76)	-	-	(197)
At September 30, 2017	1,182	24,672	16,652	71,778	114,284
At October 1, 2017	**1,182**	**24,672**	**16,652**	**71,778**	**114,284**
Additions	-	**3,164**	**80**	-	**3,244**
Retirements	-	**(322)**	-	-	**(322)**
Transfers in/(out) from group companies	-	**(1,449)**	**(2,872)**	-	**(4,321)**
At September 30, 2018	**1,182**	**26,065**	**13,860**	**71,778**	**112,885**
Amortisation					
At October 1, 2016	1,042	16,303	16,335	34,679	68,359
Charge for the year	116	2,301	75	3,081	5,573
Retirements	(120)	(76)	-	-	(196)
At September 30, 2017	1,038	18,528	16,410	37,760	73,736
At October 1, 2017	**1,038**	**18,528**	**16,410**	**37,760**	**73,736**
Charge for the year	**86**	**2,485**	**1,909**	**1,133**	**5,613**
Retirements	-	**(322)**	-	-	**(322)**
Transfers in/(out) from group companies	-	**(1,575)**	**(4,730)**	**2,958**	**(3,347)**
At September 30, 2018	**1,124**	**19,116**	**13,589**	**41,851**	**75,680**
Net book value					
At October 1, 2016	261	6,426	96	37,099	43,882
At September 30, 2017 and October 1, 2017	144	6,144	242	34,018	40,548
At September 30, 2018	**58**	**6,949**	**271**	**29,927**	**37,205**

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, 2013 and 2016. The majority of the balance relates to customer relationships acquired.

For the years ended September 30, 2018 and 2017 (in thousands of £)

18. Property, plant and equipment

	Investment Property	Land & buildings	Technical machinery & equipment	Equipment leased to others	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Cost							
At October 1, 2016	7,921	161,495	82,123	140	69,437	5,510	326,626
Additions	-	22,811	6,804	-	4,549	8,294	42,458
Disposals	-	(1,667)	(6,324)	-	(2,334)	-	(10,325)
Transfers to / from group companies	-	-	2,087	-	467	-	2,554
Reclassifications of assets	-	712	(60)	-	357	(1,009)	-
Reclassifications to assets held for disposal	(2,546)	-	-	-	-	-	(2,546)
At September 30, 2017	5,375	183,351	84,630	140	72,476	12,795	358,767
At October 1, 2017	**5,375**	**183,351**	**84,630**	**140**	**72,476**	**12,795**	**358,767**
Additions	-	**6,500**	**11,337**	-	**6,000**	**10,017**	**33,854**
Disposals	**(107)**	**(3,239)**	**(1,201)**	-	**(3,573)**	**(1,476)**	**(9,596)**
Transfers to /from group companies	-	**(75,988)**	**(19,008)**	-	**(6,802)**	**(3,359)**	**(105,157)**
Reclassification of asset	-	**4,482**	**4,571**	-	**671**	**(9,851)**	**(127)**
At September 30, 2018	**5,268**	**115,106**	**80,329**	**140**	**68,772**	**8,126**	**277,741**

	Investment Property	Land & buildings	Technical machinery & equipment	Equipment leased to others	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Accumulated depreciation and impairment							
At October 1, 2016	905	72,037	58,742	13	57,679	-	189,376
Charge for the year	203	7,925	7,365	17	6,454	-	21,964
Disposals	-	(1,384)	(6,292)	-	(2,315)	-	(9,991)
Transfers to /from group companies	-	-	1,796	-	359	-	2,155
Impairment	-	705	-	-	21	-	726
Reclassification of asset	-	-	(2)	-	2	-	-
At September 30, 2017	1,108	79,283	61,609	30	62,200	-	204,230
At October 1, 2017	**1,108**	**79,283**	**61,609**	**30**	**62,200**	-	**204,230**
Charge for the year	**191**	**6,822**	**8,305**	**17**	**4,458**	-	**19,793**
Disposals	-	**(1,962)**	**(1,255)**	-	**(3,541)**	-	**(6,758)**
Transfers to /from group companies	-	**(32,624)**	**(15,634)**	-	**(5,789)**	-	**(54,047)**
Reclassification of asset	-	-	**82**	-	**(82)**	-	-
At September 30, 2018	**1,299**	**51,519**	**53,107**	**47**	**57,246**	-	**163,218**

For the years ended September 30, 2018 and 2017 (in thousands of £)

	Investment Property	Land & buildings	Technical machinery & equipment	Equipment leased to others	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Net book value							
At October 1, 2016	7,016	89,458	23,381	127	11,758	5,510	137,250
At September 30, 2017 and October 1, 2017	4,267	104,068	23,021	110	10,276	12,795	154,537
At September 30, 2018	**3,969**	**63,587**	**27,222**	**93**	**11,526**	**8,126**	**114,523**

The amount of borrowing costs capitalised in the year is £nil (2017: £nil). Borrowing costs relate to capitalised borrowing costs directly attributable to the costs of an asset where the borrowing costs have commenced on or after October 1, 2012 (see note 2). The borrowing costs in the prior year were capitalised at 2.49%.

In fiscal 2018 and 2017, government grants awarded for the purchase or the production of property, plant and equipment amounted to £nil and £67k, respectively. The award of further government grants of £20k and £584k in fiscal 2018 and 2017, respectively, related to costs incurred and future costs.

The fair value of investment property as at September 30, 2018 was £5m (2017: £5m).

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, 2018 and 2017, 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,
	2018	2017
Not later than one year	**35**	9,112
Later than one year and not later than five years	**44**	27,182
Later than five years	**44**	21,730
	123	58,024

As of September 30, 2018 contractual commitments for the purchase of plant, property and equipment amount to £2,886k (2017: £9,987k).

Payments from lessee under operating leases primarily relate to leasing of properties by Siemens Plc.

19. Other financial assets

		September 30,
	2018	2017
Receivables from finance leases	**5,053**	45,865
	5,053	45,865

For the years ended September 30, 2018 and 2017 (in thousands of £)

20. Other current financial liabilities

	September 30, 2018	2017
Derivative financial instruments	2,564	5,077
Other financial liabilities	2,612	3,847
	5,176	8,924

21. Trade payables

	September 30, 2018	2017
Trade payables	89,046	153,270
Amounts due to group companies	10,741	38,428
	99,787	191,698

22. Other current liabilities

	September 30, 2018	2017 (Restated)
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	-	(8,297)
Payroll and social security taxes	13,612	16,132
Bonus obligations	23,589	35,724
Other employee related costs	7,852	7,197
Other tax liabilities	7,431	69,998
Deferred income	3,801	12,328
Other accrued liabilities	22,471	33,851
	78,756	166,933

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

For the years ended September 30, 2018 and 2017 (in thousands of £)

23. Debt

		September 30,
	2018	2017
Short-term debt		
Short-term debt	-	34
Liabilities under finance leases less than 1 year	**659**	395
	659	429
Long-term debt		
Liabilities under finance leases more than 1 year	**19,349**	15,054
Long-term loan from group company	**263,472**	275,998
	282,821	291,052

Long-term debt includes a long-term loan held with Siemens Holdings Plc. The amount outstanding is £263,472k (2017: £275,998k) with a remaining term of 178 months and a fixed rate of 3.6029% per annum.

Amounts relating to finance lease liabilities are disclosed below:

Finance lease liabilities

	Future minimum lease payments	**Interest**	**Present value of future minimum lease payments**	Future minimum lease payments	Interest	Present value of future minimum lease payments
	2018	**2018**	**2018**	2017	2017	2017
Less than one year	**(1,389)**	**730**	**(659)**	(1,518)	1,123	(395)
Between one and five years	**(11,029)**	**3,031**	**(7,998)**	(8,335)	2,935	(5,400)
More than five years	**(15,589)**	**4,238**	**(11,351)**	(14,572)	4,920	(9,652)
	(28,007)	**7,999**	**(20,008)**	(24,425)	8,978	(15,447)

For the years ended September 30, 2018 and 2017 (in thousands of £)

24. Post-employment benefits

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

Commentary on the recent High Court ruling on guaranteed minimum pension benefits is explained in the Subsequent Events section of the Director's Report.

Siemens Benefits Scheme

Defined benefit plan

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

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

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

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

	September 30,	
	2018	2017
Company's share of the net amount recognised of the Scheme at beginning of year	**402,569**	226,893
Current service cost	**(475)**	(657)
Past service gain	**4,100**	9,008
Other finance income	**11,950**	6,300
Contributions paid	**97,661**	93,599
Transfer from other group companies	**30,836**	-
Remeasurements included in Statement of Comprehensive Income	**(8,584)**	67,426
Company's share of the net amount recognised of the Scheme at end of year	**538,057**	402,569

The transfer from the other group companies relates to the transfer of the net pension asset associated with the orphans referred to in the strategic report, partially offset by the transfer of the net pension assets to Siemens Mobility Limited

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, 2018. The Scheme's assets are stated at their market values at September 30, 2018.

The Scheme covers 27,516 participants, including 916 active employees, 15,719 former employees with vested benefits and 10,881 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, 2018. 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, 2018 and 2017 (in thousands of £)

Reconciliation of funded status to Statement of Financial Position:

		September 30,
	2018	2017
Fair value of Scheme assets	**4,356,845**	4,645,097
Present value of funded defined benefit obligations	**(3,830,765)**	(4,220,952)
Surplus recognised in the Statement of Financial Position	**526,080**	424,145

Defined benefit costs are as follows:

	Year ended September 30,	
	2018	2017
Current service cost	**568**	765
Past service gain	**(4,100)**	(9,008)
Net interest expense	**104,649**	108,637
Net interest income	**(116,970)**	(114,609)
Components of defined benefit cost recognised in the Statement of Income	**(15,853)**	(14,215)
Return on Scheme assets (excluding amounts included in net interest expense and net interest income)	**113,623**	144,630
Remeasurement gains and losses	**(107,538)**	(235,494)
Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income	**6,085**	(90,864)
Defined benefit costs	**(9,768)**	(105,079)

The past service gain in 2018 relates to a pension increase exchange exercise completed during the year.

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

		September 30,
	2018	2017
Defined benefit obligation at beginning of year	**4,220,952**	4,498,338
Current service cost	**568**	765
Past service gain	**(4,100)**	(9,008)
Interest expense	**104,649**	108,637
Remeasurements:		
Remeasurement gains from changes in demographic assumptions	**(49,469)**	(23,723)
Remeasurement gains from changes in financial assumptions	**(69,060)**	(217,550)
Experience losses	**10,991**	5,779
Scheme participants' contributions	**14,493**	16,348
Benefits paid	**(165,316)**	(158,634)
Business combinations, disposals and other	**(232,943)**	-
Defined benefit obligation at end of year	**3,830,765**	4,220,952

For the years ended September 30, 2018 and 2017 (in thousands of £)

The total DBO at the end of the year 2018 includes £234,254k for active employees (2017: £345,584k), £1,622,273k for former employees with vested benefits (2017: £1,804,968k) and £1,974,238k for retirees and surviving dependents (2017: £2,070,400k).

The weighted average duration of the DBO was 17.2 years (2017: 18.5 years).

Business combinations, disposals and other relates to the transfer of net assets to the Siemens Healthineers Benefits Scheme.

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

	September 30,	
	2018	2017
Fair value of Scheme assets at beginning of year	**4,645,097**	4,703,765
Interest income	**116,970**	114,609
Remeasurements:		
Return on Scheme assets excluding amounts included in interest income and interest expense	**(113,623)**	(144,630)
Employer contributions	**113,777**	113,639
Scheme participants' contributions	**14,493**	16,348
Benefits paid	**(165,316)**	(158,634)
Business combinations, disposals and other	**(254,553)**	-
Fair value of Scheme assets at end of year	**4,356,845**	4,645,097

Business combinations, disposals and other relates to the transfer of net assets to the Siemens Healthineers Benefits Scheme.

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,	
	2018	2017
	% p.a.	% p.a.
Inflation (RPI)	**3.20**	3.20
Inflation (CPI)	**2.10**	2.10
Rate of general long-term increase in salaries	**3.70**	3.70
Rate of increase to pensions in payment		
- inflation capped at 5% (RPI)	**3.10**	3.10
- inflation capped at 3% (RPI)	**2.50**	2.50
- inflation capped at 5% (CPI)	**2.10**	2.10
- inflation with a floor of 3% and a cap of 5% (RPI)	**3.60**	3.60
Discount rate for Scheme liabilities	**2.90**	2.82

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS tables scaled by a factor of 86.0% (2017: 85.0%) for males and 91.0% (2017: 89.0%) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2017 (2017: CMI2016) projections with a long-term rate of improvement of 1.25% p.a (2017: 1.25%). The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

For the years ended September 30, 2018 and 2017 (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, 2018, would result in the following increase (decrease) of the DBO:

	Effect on DBO as of September 30, 2018 due to	
	One-half % Increase	**One-half % Decrease**
Discount rate	**(315,165)**	**359,202**
Rate of compensation increase	**7,239**	**(6,946)**
Rate of pension progression	**280,131**	**(295,806)**

In order to determine the longevity risk, the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £110,855k as of September 30, 2018. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male employee aged 55 years as of September 30, 2018, 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, 2018 and 2017 (in thousands of £)

Disaggregation of Scheme assets:

The asset allocation of the Scheme is as follows:

	September 30, 2018			September 30, 2017		
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	-	-	-	53,573	-	53,573
International equities	151,385	-	151,385	562,650	-	562,650
	151,385	-	151,385	616,223	-	616,223
Fixed income securities:						
Government bonds	1,398,562	54,344	1,452,906	2,025,572	58,448	2,084,020
Corporate bonds	302,123	11,507	313,630	650,531	11,918	662,449
Other	-	364,700	364,700	-	345,700	345,700
	1,700,685	430,551	2,131,236	2,676,103	416,066	3,092,169
Alternative investments:						
Hedge Funds	-	402,767	402,767	-	501,595	501,595
Real estate	-	77,783	77,783	-	139,143	139,143
	-	480,550	480,550	-	640,738	640,738
Multi strategy funds	232,232	-	232,232	128,035	-	128,035
Derivatives:						
Interest risk	-	(24,578)	(24,578)	-	(45,221)	(45,221)
Foreign currency risk	-	-	-	-	(842)	(842)
Credit, Inflation and Price risk	-	29,315	29,315	-	46,902	46,902
	-	4,737	4,737	-	839	839
Cash and other assets	107,697	1,249,008	1,356,705	83,467	83,626	167,093
Total	2,191,999	2,164,846	4,356,845	3,503,828	1,141,269	4,645,097

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

For the years ended September 30, 2018 and 2017 (in thousands of £)

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.

During the year the trustee concluded a pension insurance buy-in with Pension Insurance Corporation Plc and this asset is included within other assets.

Future cash flows:

Employer contributions expected to be paid to the Scheme in 2019 are £44,294k and employer deficit funding contributions expected to be paid to the Scheme in 2019 are £42,828k.

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, 2017.

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,
2018	**165,316**
2019	**104,198**
2020	**104,516**
2021	**109,619**
2022	**116,268**
2023	**122,269**
2024-2028	**733,469**

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 £22,837k (2017: £25,093k).

Other Pension Schemes

The Company participated in two other defined benefit schemes ("Schemes") - the Siemens Fire Safety and Security Pension Scheme (PFP) and the Railways Pension Scheme (RPS) during 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.

The Company was a participating employer in the RPS, where Siemens has its own section; the net assets of the RPS were transferred to Siemens Mobility Limited during the year (see discontinued operations note 3)

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.

For the years ended September 30, 2018 and 2017 (in thousands of £)

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

		September 30,
	2018	2017
Company's share of the net amount recognised of the Schemes at beginning of year	**(2,712)**	(3,572)
Current service cost	**(497)**	(963)
Other finance cost	**(48)**	(84)
Contributions paid	**183**	944
Remeasurements included in Statement of Comprehensive Income	**-**	963
Transfer to other group companies	**3,074**	-
Company's share of the net amount recognised of the Schemes at end of year	**-**	(2,712)
Irrecoverable surplus*	**-**	(1,633)

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

The Transfer to other group companies relates to the transfer of net assets of the RPS to Siemens Mobility Limited.

The disclosure, which follows are for the schemes as a whole.

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, 2018. The Schemes' assets are stated at their market values at September 30, 2018.

The Schemes cover 310 participants, including 58 active employees, 154 former employees with vested benefits and 98 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, 2018. 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,
	2018	2017
Fair value of Scheme's assets	**35,783**	34,578
Present value of funded defined benefit obligations	**(36,594)**	(35,657)
	(811)	(1,079)
Effect due to asset ceiling write off	**(1,995)**	(1,633)
Deficit recognised in the Statement of Financial Position	**(2,806)**	(2,712)

For the years ended September 30, 2018 and 2017 (in thousands of £)

Defined benefit costs are as follows:

	Year ended September 30, 2018	2017
Current service cost	**746**	963
Net interest expense	**1,001**	884
Net interest income	**(975)**	(806)
Interest on asset ceiling	**46**	6
Components of defined benefit costs recognised in the Statement of Income	**818**	1,047
Return on Scheme assets (excluding amounts included in net interest expense and net interest income)	**(531)**	(97)
Remeasurement gains and losses	**(237)**	(2,238)
Changes in irrecoverable surplus, effect of limit in para 58(b)*	**316**	1,372
Remeasurements of defined benefit schemes recognised in the Statement of Comprehensive Income	**(452)**	(963)
Defined benefit costs	**366**	84

* 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, 2018	2017
Defined benefit obligation at beginning of year	**35,657**	36,433
Current service cost	**746**	963
Interest expense	**1,001**	884
Remeasurements:		
Remeasurement gains from changes in demographic assumptions	**(284)**	(258)
Remeasurement gains from changes in financial assumptions	**(757)**	(1,905)
Experience losses / (gains)	**804**	(75)
Scheme participants' contributions	**227**	227
Benefits paid	**(800)**	(612)
Defined benefit obligation at end of year	**36,594**	35,657

The total DBO at the end of the year 2018 includes £13,037k for active employees (2017: £12,272k), £12,651k for former employees with vested benefits (2017: £12,534k) and £10,906k for retirees and surviving dependents (2017: £10,851k).

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

Weighted average duration of the defined benefit obligation:

	September 30, 2018 (Years)	2017 (Years)
Siemens Fire Safety and Security Scheme (PFP)	**17.0**	17.5
Railways Pension Scheme	**22.5**	22.5

For the years ended September 30, 2018 and 2017 (in thousands of £)

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

		September 30,
	2018	2017
Fair value of Scheme assets at beginning of year	**34,578**	33,116
Interest income	**975**	806
Remeasurements:		
Return on Scheme assets excluding amounts included in interest income and interest expense	**531**	97
Employer contributions	**272**	944
Scheme participants' contributions	**227**	227
Benefits paid	**(800)**	(612)
Fair value of Scheme assets at end of year	**35,783**	34,578

Effect of asset ceiling & IFRIC 14 during the year:

		September 30,
	2018	2017
Effect due to asset ceiling at beginning of year	**1,633**	255
Effect due to asset ceiling write-off	**316**	1,372
Interest on asset ceiling	**46**	6
Effect due to asset ceiling at end of year *	**1,995**	1,633

* 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.

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,	
	2018	2017
	% p.a.	% p.a.
Inflation (RPI)	**3.20**	3.20
Inflation (CPI)	**2.10**	2.10
Rate of general long-term increase in salaries	**3.70**	3.70
Rate of increase to pensions in payment		
-inflation capped at 5% (RPI)	**3.10**	3.10
-inflation capped at 3% (RPI)	**2.50**	2.50
-inflation capped at 5% (CPI)	**2.10**	2.10
-inflation with a floor of 3% and a cap of 5% (RPI)	**3.60**	3.60
Discount rate for Scheme liabilities	**2.94**	2.82

For the years ended September 30, 2018 and 2017 (in thousands of £)

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 CMI2017 (2017: CMI2016) projections with a long-term rate of improvement of 1.25% p.a (2017: 1.25%) (for the PFP Scheme) and 1.25% (2017: 1.25%) (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, 2018, would result in the following increase (decrease) of the DBO:

	Effect on DBO as of September 30, 2018 due to	
	One-half % Increase	**One-half % Decrease**
Discount rate	**(3,106)**	**3,587**
Rate of compensation increase	**458**	**(444)**
Rate of pension progression	**3,125**	**(2,993)**

In order to determine the longevity risk the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £1,078k as of September 30, 2018. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male employee aged 55 years as of September 30, 2018 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.

For the years ended September 30, 2018 and 2017 (in thousands of £)

Disaggregation of Scheme assets:

The asset allocation of the Scheme assets are as follows:

	September 30, 2018			September 30, 2017		
	Quoted market price in active market	**No quoted market price in active market**	**Total**	Quoted market price in active market	No quoted market price in active market	Total
Asset Class						
Equity securities:						
International equities	**3,900**	-	**3,900**	3,603	-	3,603
	3,900	-	**3,900**	3,603	-	3,603
Fixed income securities:						
Government bonds	**12,343**	-	**12,343**	13,000	-	13,000
Corporate bonds	**5,265**	-	**5,265**	5,402	-	5,402
	17,608	-	**17,608**	18,402	-	18,402
Alternative investments:						
Private Equity	-	**160**	**160**	-	121	121
Real estate	-	-	-	-	40	40
	-	**160**	**160**	-	161	161
Multi strategy funds	**13,958**	-	**13,958**	12,179	-	12,179
Cash and other assets	**156**	-	**156**	233	-	233
Total	**35,622**	**160**	**35,782**	34,417	161	34,578

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 (multi strategy 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 2019 are £379k and employer deficit funding contributions expected to be paid to the Schemes in 2019 are £nil.

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

For the years ended September 30, 2018 and 2017 (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 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, 2018;
Railway Pension Scheme - December 31, 2016.

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,
2018	**800**
2019	**819**
2020	**840**
2021	**861**
2022	**883**
2023	**905**
2024-2028	**4,885**

For the years ended September 30, 2018 and 2017 (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.

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

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

		September 30,
	2018	2017
Company's share of the net amount recognised of the Scheme at beginning of year	**(516)**	(697)
Other finance cost	**(14)**	(22)
Contributions paid	**84**	1,020
Transfers from other group companies	**-**	(152)
Remeasurements included in Statement of Comprehensive Income	**(1)**	(665)
Company's share of the net amount recognised of the Scheme at end of year	**(447)**	(516)
Additional liability *	**-**	(361)

The transfer from other group companies relates to the transfer of scheme liabilities following the trade and asset transfer from Siemens Protection Devices Limited on August 1, 2017.

* 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, 2018. The Scheme's assets are stated at their market values at September 30, 2018.

The Scheme covers 1,501 participants, including 191 active employees, 539 former employees with vested benefits and 771 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, 2018. 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, 2018 and 2017 (in thousands of £)

Reconciliation of funded status to Statement of Financial Position:

	September 30, 2018	2017
Fair value of Scheme assets	**196,054**	212,938
Present value of funded defined benefit obligations	**(196,250)**	(213,558)
	(196)	(620)
Effects due to IFRIC 14 additional liability	**(1,592)**	(1,444)
Deficit recognised in the Statement of Financial Position	**(1,788)**	(2,064)

Defined benefit costs are as follows:

	Year ended September 30, 2018	2017
Net interest expense	**5,889**	5,586
Net interest income	**(5,876)**	(5,364)
Interest on additional liability	**41**	-
Components of defined benefit costs recognised in the Statement of Income	**54**	222
Return on Scheme assets (excluding amounts included in net interest expense and net interest income)	**5,481**	19,695
Remeasurement gains and losses	**(5,583)**	(14,989)
Change in irrecoverable surplus*	**-**	-
Change in additional liability **	**107**	1,444
Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income	**5**	6,150
Defined benefit costs	**59**	6,372

* 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, 2018	2017
Defined benefit obligation at beginning of year	**213,558**	232,219
Interest expense	**5,889**	5,586
Remeasurements:		
Remeasurement gains from changes in demographic assumptions	**(1,212)**	(116)
Remeasurement gains from changes in financial assumptions	**(4,588)**	(13,755)
Experience losses / (gains)	**217**	(1,118)
Scheme participants' contributions	**673**	999
Benefits paid	**(18,287)**	(10,257)
Defined benefit obligation at end of year	**196,250**	213,558

For the years ended September 30, 2018 and 2017 (in thousands of £)

The total DBO at the end of the year 2018 includes £42,939k for active employees (2017: £46,814k), £55,263k for former employees with vested benefits (2017: £62,473k) and £98,048k for retirees and surviving dependents (2017: £104,271k).

The weighted average duration of the DBO was 20.0 years (2017: 20.0 years).

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

		September 30,
	2018	2017
Fair value of Scheme assets at beginning of year	**212,938**	222,930
Interest income	**5,876**	5,364
Remeasurements:		
Return on Scheme assets excluding amounts included in interest income and interest expense	**(5,481)**	(19,695)
Employer contributions	**335**	13,597
Scheme participants' contributions	**673**	999
Benefits paid	**(18,287)**	(10,257)
Fair value of Scheme assets at end of year	**196,054**	212,938

Effect of asset ceiling & IFRIC 14 during the year:

		September 30,
	2018	2017
Additional liability due to IFRIC 14 at beginning of year	**(1,444)**	-
Additional liability due to IFRIC 14	**(107)**	(1,444)
Interest on IFRIC 14 liability	**(41)**	-
Additional liability due to IFRIC 14 at end of year **	**(1,592)**	(1,444)

** 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,	
	2018	2017
	% p.a.	% p.a.
Inflation (RPI)	**3.20**	3.20
Inflation (CPI)	**2.10**	2.10
Rate of general long-term increase in salaries	**3.70**	3.70
Rate of increase to pensions in payment		
-inflation capped at 5% (RPI)	**3.10**	3.10
-inflation capped at 3% (RPI)	**2.50**	2.50
-inflation capped at 5% (CPI)	**2.10**	2.10
-inflation with a floor of 3% and a cap of 5% (RPI)	**3.60**	3.60
Discount rate for Scheme liabilities	**2.94**	2.82

For the years ended September 30, 2018 and 2017 (in thousands of £)

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 103.0 (2017: 103.0) for males and 110.00 (2017: 110.00) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2017 (2017: CMI2016) projections with a long-term rate of improvement of 1.25% (2017: 1.25%) p.a. The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

Sensitivity analysis:

A one-half-percentage-point change of the established assumptions mentioned before, used for the calculation of the DBO as of September 30, 2018, would result in the following increase (decrease) of the DBO:

	Effect on DBO as of September 30, 2018 due to	
	One-half % Increase	**One-half % Decrease**
Discount rate	**(18,440)**	**20,687**
Rate of compensation increase	**865**	**(848)**
Rate of pension progression	**10,897**	**(12,560)**

In order to determine the longevity risk the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £5,374k as of September 30, 2018. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male employee aged 55 years as of September 30, 2018, 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, 2018			September 30, 2017		
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
Alternative investments:						
Other	**-**	**191,949**	**191,949**	-	209,158	209,158
	-	**191,949**	**191,949**	-	209,158	209,158
Cash and other assets	**4,105**	**-**	**4,105**	3,780	-	3,780
Total	**4,105**	**191,949**	**196,054**	3,780	209,158	212,938

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

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

For the years ended September 30, 2018 and 2017 (in thousands of £)

Future cash flows:

Employer contributions expected to be paid to the Scheme in 2019 are £335k and employer deficit funding contributions expected to be paid to the Scheme in 2019 are £320k.

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 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, 2018.

Expected pension benefit payments:

	Year ended September 30,
2018	**18,287**
2019	**7,124**
2020	**7,276**
2021	**7,431**
2022	**7,589**
2023	**7,751**
2024-2028	**41,304**

25. Provisions

Provisions changed during 2018 as follows:

	Warranties	**Order related losses and risks**	**Asset retirement obligations**	**Onerous lease obligations**	**Other**	**Total**
Balance at beginning of year	27,098	2,692	2,564	4,186	14,783	51,323
Additions	11,595	1,522	853	810	1,755	16,535
Usage	(5,635)	(251)	-	(842)	(1,434)	(8,162)
Reversals	(8,466)	(1,437)	-	(1,166)	(1,774)	(12,843)
Transfers to group companies	(18,596)	(1,166)	(235)	-	(8,225)	(28,222)
Balance at end of year	**5,996**	**1,360**	**3,182**	**2,988**	**5,105**	**18,631**
Current provisions						**7,520**
Non-current provisions						**11,111**

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.

For the years ended September 30, 2018 and 2017 (in thousands of £)

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.

Other provisions

Other provisions are estimated obligations for the dilapidations for the leased properties, legal matters and performance shortfall in contracts.

26. Share capital

Allotted, called up and fully paid:

		September 30,
	2018	2017
1,000,000 (2017: 1,000,000) Ordinary Shares of £1 each	**1,000**	1,000

27. Commitments and contingencies

Guarantees and other commitments

On behalf of other Siemens group companies, the Company issued guarantees or indemnified the issuers of performance bonds in respect of contractual obligations totalling £318,353k (2017: £49,749k). These agreements have terms typically ranging between 1 and 26 years. Included in the 2018 figure is £284,154k in relation to businesses which have previously been disposed of where the guarantee has not yet been novated (2017: £17,390k). The Company has indemnities in place to cover these guarantees.

As of September 30, 2018 future payment obligations under non-cancellable operating leases are as follows:

	2018 Total	2017 Total
Within one year	**25,738**	24,373
After one year but not more than five years	**48,003**	47,678
More than five years	**8,527**	10,644

Total operating rental expense for the years ended September 30, 2018 and 2017 was £32,090k and £38,529k respectively.

Contingent liabilities

As of September 30, 2018 and 2017 there were no contingent liabilities to disclose.

For the years ended September 30, 2018 and 2017 (in thousands of £)

28. 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 awards may be settled in newly issued shares of capital stock of Siemens AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. Total pre-tax expense for share-based payment recognised in Siemens plc net income for continuing and discontinued operations amounted to £2,898k and £5,462k for the year ended September 30, 2018 and 2017 respectively, and refers primarily to equity-settled awards.

Stock awards

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

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

In the year ended September 30, 2018 Siemens AG granted 56,000 (2017: 54,441) stock awards to 437 employees (2017: 343 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 (€)
	2018	**2018**	2017	2017
Non-vested, beginning of period	**172,391**	**65.81**	175,847	61.46
Granted	**56,000**	**78.52**	54,441	69.98
Vested	**(33,170)**	**73.22**	(44,227)	56.03
Forfeited	**(10,999)**	**67.90**	(13,670)	63.09
Non-vested, end of period	**184,222**	**67.85**	172,391	65.81

Fair value was determined as the market price of Siemens shares less the present value of dividends expected during the four year or three year vesting period. Total fair value of stock awards granted in 2018 and 2017 amounted to €4,397k and €3,810k respectively.

As of September 30, 2018, unrecognised compensation costs related to stock awards amounted to €47k (2017: €49k) which is expected to be recognised over a weighted average vesting period of 1.80 years (2017: 1.15 years).

Share-matching program and its underlying plan

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

Share - matching plan

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

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above. In the year ended September 30, 2018 Siemens AG granted 8,196 (2017: 9,697) shares to 1,684 (2017: 1,493) employees.

For the years ended September 30, 2018 and 2017 (in thousands of £)

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

	Year ended September 30, Awards	Weighted average grant-date fair value (€)	Year ended September 30, Awards	Weighted average grant-date fair value (€)
	2018	**2018**	2017	2017
Non-vested, beginning of period	**21,931**	**79.74**	19,059	71.46
Granted	**8,196**	**96.42**	9,697	92.28
Vested	**(11,568)**	**71.63**	(4,686)	73.00
Forfeited	**(2,030)**	**87.03**	(2,139)	77.60
Non-vested, end of period	**16,529**	**92.71**	21,931	79.74

Fair value was determined as the market price of Siemens shares less the present value of expected dividends taking into account non-vesting conditions. Total fair value of shares granted under the share matching plan in 2018 and 2017 amounted to €790k and €895k respectively.

As of September 30, 2018, unrecognised compensation costs related to the share matching plan amounted to €6k (2017: €7k), which is expected to be recognised over a weighted average vesting period of 0.91 years (2017: 1.01 years).

Siemens profit sharing

Fostering ownership culture through equity ownership and leadership based on shared values plays an important role in the vision for the Company. Employees on all hierarchical levels should demonstrate long-term and sustainable thinking. During the financial year September 30, 2016, Siemens AG introduced Siemens Profit Sharing, which supports this idea by offering employees below Senior Management a stake of Siemens AG and thus gives them the opportunity to participate in Siemens AG success, like members of Senior Management already do today. In principle, all employees worldwide below Senior Management will be eligible to benefit from a distribution from the Profit Sharing Pool, subject to a respective decision by the Managing Board of Siemens AG. The amounts to be distributed to the individual eligible employees are, in principle, calculated based on an appropriate distribution key that is applied globally for the allocation of the total distributable amount. The Profit Sharing Pool will be distributed to eligible employees in the form of Siemens AG shares, and should circumstances prevent this form, then the distribution will be in cash. The Managing Board of Siemens AG will decide anew after every fiscal year whether to distribute all or part of the Pool or instead to carry it forward for a distribution in future years.

The expense charged to net income was not financially significant in any of the Siemens UK companies. Total expense for Siemens Profit Sharing recognised in Siemens plc net income for continuing and discontinued operations amounted to £1,291k for the year ended September 30, 2018 (2017: £6,516k). The accrual as at September 30, 2018 was £nil (2017: £10,225k). The awards granted in 2018 were related to 2017 and no further accruals were made in the year.

For the years ended September 30, 2018 and 2017 (in thousands of £)

29. 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,
	2018	2017 (Restated)
Financial assets		
Loans and receivables	**1,698,273**	1,183,427
Cash and cash equivalents	**13**	-
Derivatives designated in a hedge accounting relationship	**11**	22,768
Derivatives not designated in a hedge accounting relationship	**825**	1,926
	1,699,122	1,208,121
Financial liabilities		
Financial liabilities measured at amortised cost	**385,878**	487,026
Derivatives designated in a hedge accounting relationship	**1,235**	1,467
Derivatives not designated in a hedge accounting relationship	**1,330**	3,610
	388,443	492,103

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

				September 30,
	2018		2017	
	Fair value	**Carrying value**	Fair value	Carrying value
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	**13**	**13**	-	-
Trade and other receivables	**1,689,515**	**1,689,515**	1,134,803	1,134,803
Other current financial assets	**3,705**	**3,705**	2,759	2,759
Other assets	**5,053**	**5,053**	45,865	45,865
	1,698,286	**1,698,286**	1,183,427	1,183,427
Financial liabilities measured at cost or amortised cost				
Trade payables	**99,787**	**99,787**	191,698	191,698
Other current financial liabilities	**3,270**	**3,270**	4,276	4,276
Other financial liabilities	**282,821**	**282,821**	291,052	291,052
	385,878	**385,878**	487,026	487,026

For the years ended September 30, 2018 and 2017 (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, 2018 and 2017, 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,
	2018	2017
Financial assets measured at fair value		
Derivative financial instruments	**836**	24,694
Not designated in a hedge accounting relationship	*825*	*1,926*
In connection with fair value hedges	-	*26*
In connection with cash flow hedges	*4*	*22,685*
Embedded derivatives	*7*	*57*
Financial liabilities measured at fair value		
Derivative financial instruments	**2,565**	5,077
Not designated in a hedge accounting relationship	*1,330*	*3,610*
In connection with fair value hedges	-	*360*
In connection with cash flow hedges	*1,024*	*1,044*
Embedded derivatives	*211*	*63*

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, 2018 and 2017 are categorised as level 2.

For the years ended September 30, 2018 and 2017 (in thousands of £)

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

		September 30,
	2018	2017
Loans and receivables	**699**	(767)
Derivatives with a hedging relationship	**358**	2,801
Derivatives without a hedging relationship	**(412)**	(1,099)
Financial assets / (liabilities) measured at amortised cost	**(393)**	(417)

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

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

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

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

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, 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:

		2018		2017
	Asset	**Liability**	Asset	Liability
Foreign currency exchange contracts without hedging relationship	**825**	**1,330**	1,926	3,610
Foreign currency exchange contracts in connection with fair value hedges	**-**	**-**	26	360
Foreign currency contracts in connection with cash flow hedges	**4**	**1,024**	22,685	1,044
Embedded derivatives	**7**	**211**	57	63
	836	**2,565**	24,694	5,077

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. 2018: £219k (2017: £19k).

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, DKK and Euros both from Siemens' business units entering into long-term contracts, for example project business, and from standard product business.

Fair value hedges

As of September 30, 2018 and 2017, 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, 2018 and 2017 the hedging transactions resulted in the recognition of financial assets of £nil and £1,167k, respectively, and financial liabilities of £nil and £5k, 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 £(316)k (2017: £(3,210)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, 2018 and 2017, £290k and £(425)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 £(666)k 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, 2019, when the hedged forecasted foreign-currency denominated sales and purchases occur.

As of September 30, 2018 the maximum length of time over which the Company is hedging its future cash flows associated with foreign currency forecasted transactions is 73 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 £276k in 2018.

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, 2018, 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 24.

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.

NOTES TO THE FINANCIAL STATEMENTS
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The tables below show the net foreign exchange transaction exposure by major currencies as of September 30, 2018 and 2017:

As at September 30, 2018	**US$**	**DKK**	**Euro**	**Other**	**Total**
Gross Statement of Financial Position exposure	**(236)**	**(36)**	**(20,401)**	**1,786**	**(18,887)**
Thereof: Financial asset	-	-	-	*2,084*	*2,084*
Thereof: Financial liabilities	*(236)*	*(36)*	*(20,401)*	*(298)*	*(20,971)*
Gross exposure from firm commitments and anticipated transactions	**90**	**-**	**(3,865)**	**37**	**(3,739)**
Foreign exchange transaction exposure	**(146)**	**(36)**	**(24,267)**	**1,822**	**(22,626)**
Economically hedged exposure	**(433)**	**-**	**3,794**	**(416)**	**2,946**
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(58)	(4)	(2,047)	141	(1,968)

As at September 30, 2017	**US$**	**DKK**	**Euro**	**Other**	**Total**
Gross Statement of Financial Position exposure	**(448)**	**(36)**	**(9,612)**	**1,895**	**(8,201)**
Thereof: Financial asset	-	-	-	*2,189*	*2,189*
Thereof: Financial liabilities	*(448)*	*(36)*	*(9,612)*	*(294)*	*(10,390)*
Gross exposure from firm commitments and anticipated transactions	(971)	924	(19,488)	2,094	(17,441)
Foreign exchange transaction exposure	**(1,419)**	**889**	**(29,099)**	**3,989**	**(25,640)**
Economically hedged exposure	747	(829)	18,165	(1,937)	16,146
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(67)	6	(1,093)	189	(965)

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.

	2019	**2020**	**2021 to 2023**	**2024 and thereafter**
Non derivative financial liabilities	**103,662**	**896**	**10,259**	**15,589**
Obligations under finance leases	**1,215**	**944**	**10,259**	**15,589**
Trade payables	**99,834**	**(47)**	**-**	**-**
Other financial liabilities	**2,612**	**-**	**-**	**-**
Derivative financial liabilities	**692**	**867**	**674**	**332**

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2018.

The Company has £10,741k (2017: £38,428k) 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*.

For the years ended September 30, 2018 and 2017 (in thousands of £)

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

		September 30,
	2018	2017
Cash and cash equivalents	**13**	-
Receivables from group companies	**27,621**	60,698
Total liquidity	**27,634**	60,698
Short term debt and current maturities of long-term debt	**-**	(34)
Liabilities under finance leases	**(20,008)**	(15,449)
long-term debt	**(263,472)**	(275,998)
Total debt	**(283,480)**	(291,481)
Net debt	**(255,846)**	(230,783)

In addition to the balances above, which are held with Siemens AG in the group cash pooling facility, receivables from Siemens group companies of £1,554,699k (2017: £918,470k), amounts due to Siemens group companies of £10,741k (2017: £38,428k) 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 2018 was 6.38 (2017: 2.03). The Company also has access to Siemens AG cash pooling arrangement when necessary.

For the years ended September 30, 2018 and 2017 (in thousands of £)

30. Related party transactions

Transactions between the Company and its associates are disclosed below. Restatements have been made in order to align the comparative information with the current year.

(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 2018	Year ended 2017	**Year ended 2018**	Year ended 2017	**Year ended 2018**	Year ended 2017	**Year ended 2018**	Year ended 2017	**Year ended 2018**	Year ended 2017	**Year ended 2018**	Year ended 2017
Parent company	-	-	1,322	1,322	-	-	-	-	154	369	9,716	10,161
Other Siemens group companies	1,696,745	691,038	667,765	325,828	1,400,762	1,078,993	783	812	5,622	2,484	422	478

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

	Transfers of research and development	
	Year ended 2018	Year ended 2017
Other Siemens group companies	5,848	5,782

The purchase and sale of properties and transfers of other assets in relation to acquisitions and disposals of other Siemens group companies in the year are disclosed in note 3.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	**2018**	2017
Other Siemens group companies	399	176	17,125	30,658

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 2018 and 2017.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	**2018**	2017
Parent company	11,006	102,014	265,916	286,170
Other Siemens group companies	1,581,927	877,019	12,901	11,042

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, 2018 and 2017 (in thousands of £)

31. 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, 2018	2017
Short-term employee benefits	**1,901**	2,081
Post-employment benefits	**24**	19

32. Directors' transactions

The Company paid deposits of £12k relating to security deposits on property leased for directors in 2016. The amount was unsecured and was non-interest bearing. This was repaid during the year.

No such transactions occurred in 2018 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the directors (or other key management personnel).

33. Subsequent events

On September 1, 2018 the Company carved out the Mechanical Drives business unit to Flender Limited, another Siemens group company. As at September 30, 2018, only the preliminary purchase price of £2,566k had been agreed. On October 31, 2018, the final purchase price of £3,540k was agreed, and subsequently paid, an increase in the preliminary purchase price of £974k. As this was an adjusting post balance sheet event, the financial statements were updated to take account of this amendment to the purchase price.

On October 26, 2018, the High Court released a ruling regarding a claim involving Lloyds Banking Group's defined benefit pension schemes. The court concluded that schemes should be amended in order to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the court have a potential consequence for many other defined benefit pension schemes. We are currently working with the trustees of our pension scheme, and our actuarial and legal advisers, to understand the extent to which the judgement crystallises additional liabilities.

34. Ultimate parent undertaking

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

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

The immediate parent undertaking is Siemens Holdings plc, a company incorporated in England and Wales.

35. Dividends paid

	Year ended September 30, 2018	2017
Dividends paid	**20,000**	-

A dividend of £20m was paid in the year to the immediate parent undertaking (see note 34) (2017: £nil) representing £20 per share.