

Siemens Healthcare Diagnostics Products
Limited

Annual report and financial statements

Registered number 2005794

September 30, 2019

THURSDAY



A8Y7GNDL

A03

06/02/2020

#284

COMPANIES HOUSE

Siemens Healthcare Diagnostics Products Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

CONTENTS	PAGES
Strategic report	1
Directors' report	3
Statement of Directors' responsibilities in respect of the annual report and financial statements	5
Independent Auditor's Report to the members of Siemens Healthcare Diagnostics Products Ltd	6
Statement of Income	8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Cash Flows	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13

Siemens Healthcare Diagnostics Products Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

The directors of Siemens Healthcare Diagnostics Products Limited present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2019.

STRATEGIC REPORT

Principal activities

Siemens Healthcare Diagnostics Products Limited is engaged in the manufacture and sale of IMMULITE products worldwide.

General business review – Income Statement

The Income Statement on page 8 shows that the Company's revenue from continuing operations decreased by 3% during 2019 being £62.9m for the year ended September 30, 2018 and £61.1m for the year ended September 30, 2019. Profit before tax from continuing operations for the financial year decreased by 9% from £4.5m for the year ended September 30, 2018 to £4.1m for the year ended September 30, 2019. A decrease of 6% in net income was in line with expectations. The performance in 2019 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 £3.3m (2018 £3.5m).

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The uncertainty in the world's financial markets and the on-going uncertainty exhibited within the UK economy, partly as a result of the on-going 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. With regards to Brexit, the Company has assessed the potential impact on its business on a short-to-medium term view only, particularly with regards to a 'no deal' outcome. At the time of writing that looks less of an immediate threat, however it remains a risk and it is impossible to take a longer-term view until there is clarity about the future trade relationship between the UK and EU. In the meantime, there is no impact on the figures presented as at September 30, 2019.

General business review – Statement of Financial Position

Total assets decreased to £48.0m at September 30, 2019 compared to £48.8m September 30, 2018.

Total liabilities decreased by £1.1m to close the financial year 2019 at £5.7m, mainly as a result of a decrease in Trade Payables.

General business review – Cash Flow Statement

Operating profit before changes in working capital and provisions decreased by £0.1m to £6.1m for 2019.

Cash generated from operating activities amounted to £2.7m in 2019 which was £2.0m lower than 2018 in which an inflow of £4.7m was recorded. This difference was mainly driven by an increase in Inventories of £1.5m and a £1.7m decrease in Trade Payables.

Cash used in investing activities decreased by £3.5m to £0.4m in September 30, 2019, mainly due to the significant purchases of property from related party in the prior year which was not expected to and did not re-occur during 2019.

Cash flow used in financing activities was an outflow of £2.3m in 2019 which was £1.5m more than in 2018; this difference was driven by a reduction in the balance of ICC loans from group companies.

Analysis of Financial Key Performance Indicators

Siemens Healthcare Diagnostics Products Limited measures its performance on a number of key performance indicators, including revenue, profit from continuing operations before tax and cash generated from operations as discussed above.

Siemens Healthcare Diagnostics Products Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

New orders received

New orders in the year amounted to £61.1m (2018: £ 62.9m). New Orders received in the year decreased by £1.8m (-3%) compared to the prior year.

Total new order backlog at 30 September 2019 is £nil (2018: £nil)

STRATEGIC REPORT continued

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, 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.

Signed by order of the board of directors

F Logue
Director



Approved by the directors on December 09, 2019

Registered office:

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

Siemens Healthcare Diagnostics Products Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

DIRECTORS' REPORT

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

F Logue	
M Gray	- resigned 18/08/2019
G Hughes	- appointed 03/09/2019

None of the directors holding office at September 30, 2019 had notified a beneficial interest in any contract to which the Company was a party during the financial year.

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

DIVIDENDS

A dividend of £3m representing £1.76 per share was paid during the year ended September 30, 2019 (2018: £3.97m representing £2.33 per share). This dividend payment of £3m is related to the net income of financial year 2018.

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company spent £1,000 (2018: £52,000) on research and development.

FINANCIAL INSTRUMENTS

Siemens Healthcare Diagnostics Products Limited financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 23 to the accounts.

GOING CONCERN

The Company's only customers are Siemens distributors and distribution centres worldwide and it provides products that support essential public services such as healthcare. Based on the Company's forecasts, the directors consider that the Company will continue the trend of previous years and will trade profitably and generate positive cash flow from operations over the next 12 months. Additionally, Siemens Healthineers AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens Healthineers AG and companies are able to draw down on these facilities if required. Further information on these risks, and their potential impacts, can be found in the 2019 Siemens Healthineers AG and Siemens AG annual report.

For 2019, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company remains a going concern for at least 12 months from the date of signing the statutory accounts.

SUBSEQUENT EVENTS

There were no significant events after the reporting period.

GROUP POLICIES

Employee engagement

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 Healthineers 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 People & Leadership Practices. The directors also incentivise employees' involvement in the Group's performance with the award of share options to some employees.

Siemens Healthcare Diagnostics Products Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

DIRECTORS' REPORT continued

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 and potential to contribute 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.

Business Stakeholders

Business relationships with the customers, suppliers, and other business partners are fundamental to Siemens. The Group maintain business relationships only with reputable partners who comply with the law. The Group protect the interests of our customers through the careful selection of suppliers and other business partners and through the standards set for own actions. The Group only work with suppliers who are prepared to eliminate problems or implement risk reduction measures. That is why the Group cooperate with excellent partners worldwide. Amongst others, the Group's Code of Conduct is based on the UN Global Compact and the principles of the International Labour Organization, and it reflects the Siemens Business Conduct Guidelines, which apply to the entire Group and its subsidiaries.

POLITICAL DONATIONS

No political donations were made during the current year (2018: Nil).

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

Signed by order of the board of directors

F Logue
Director

Approved by the directors on December 09, 2019

Registered office:

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

Siemens Healthcare Diagnostics Products Limited

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

YEAR ENDED SEPTEMBER 30, 2019

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS HEALTHCARE
DIAGNOSTICS PRODUCTS LIMITED**

Opinion

We have audited the financial statements of Siemens Healthcare Diagnostics Products Limited for the year ended September 30, 2019 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 28, 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, 2019 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

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS HEALTHCARE
DIAGNOSTICS PRODUCTS LIMITED (continued)**

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 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.

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

Use of our report

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

Ernst & Young LLP

Jane Turnor (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

13 December 2019

Siemens Healthcare Diagnostics Products Limited

STATEMENT OF INCOME

For the years ended September 30, 2019 and 2018 (in thousands of £)

	Note	2019	2018
Revenue	3	61,106	62,939
Cost of sales		(56,872)	(58,283)
Gross profit		<u>4,234</u>	<u>4,656</u>
Research and development expenses		(1)	(52)
Administrative expenses		(158)	(110)
Other operating expenses	5	(21)	(36)
Operating profit	4	<u>4,054</u>	<u>4,458</u>
Interest income	8	43	19
Interest expense	8	(4)	(4)
Income from continuing operations before income taxes		<u>4,093</u>	<u>4,473</u>
Income tax expense	9	(843)	(1,012)
Net Income for the financial year		<u>3,250</u>	<u>3,461</u>

Siemens Healthcare Diagnostics Products Limited

STATEMENT OF COMPREHENSIVE INCOME

For the years ended September 30, 2019 and 2018(in thousands of £)

	2019	2018
Net Income for the financial year	3,250	3,461
Total comprehensive income	<u>3,250</u>	<u>3,461</u>
Attributable to : Owners of the Company	<u>3,250</u>	<u>3,461</u>


Siemens Healthcare Diagnostics Products Limited

STATEMENT OF FINANCIAL POSITION

For the years ended September 30, 2019 and 2018 (in thousands of £)

ASSETS	Notes	2019	2018
Trade and other receivables	11	5,483	6,185
Other current financial assets	14	878	784
Inventories	12	32,429	30,922
Other current assets	13	128	285
Total current assets		38,918	38,176
Property, plant and equipment	15	8,942	10,593
Deferred tax assets	9	93	80
Total non-current assets		9,035	10,673
Total assets		47,953	48,849
LIABILITIES AND EQUITY			
Trade payables	16	2,135	3,845
Corporation tax payable		1,909	977
Other current liabilities	17	1,481	1,789
Total current liabilities		5,525	6,611
Other liabilities	19	208	194
Deferred tax liabilities	9	-	74
Total non-current liabilities		208	268
Total liabilities		5,733	6,879
Equity			
Share capital	20	1,700	1,700
Retained earnings		40,520	40,270
Total equity		42,220	41,970
Total liabilities and equity		47,953	48,849

These financial statements were approved and authorised for issue by the board of directors on December 09, 2019 and were signed on their behalf by:



 G Hughes
 Director

Registered number 2005794 Siemens Healthcare Diagnostics Products Limited

Siemens Healthcare Diagnostics Products Limited

STATEMENT OF CASH FLOWS

For the years ended September 30, 2019 and 2018 (in thousands of £)

	2019	2018
Cash flows from operating activities		
Net Income for the financial year	3,250	3,461
Adjustments to reconcile profit to cash flows from operating activities		
Depreciation	4 2,033	1,751
Taxes	9 843	1,012
Interest income, net	8 (39)	(15)
Loss on disposals of property, plant and equipment, net	6	-
Operating profit before changes in working capital and provisions	6,093	6,209
Change in assets and liabilities		
Inventories	(1,507)	(1,063)
Other current assets and other current financial assets	63	(32)
Trade payables and accrued expenses	(1,722)	650
Other liabilities	(291)	(100)
Cash flows used in operations	2,636	5,664
Taxes (paid)	-	(973)
Interest received	8 39	15
Cash generated from operations	2,675	4,706
Cash used in investing activities		
Additions to property, plant and equipment	15 (404)	(3,881)
Cash acquired on transfer of assets to other Siemens companies	15	-
Cash flows used in investing activities - continuing operations	(389)	(3,881)
Cash flows used in financing activities		
Change in financing from other group companies	714	3,938
Dividend paid	(3,000)	(4,763)
Cash flows used in financing activities – continuing operations	(2,286)	(825)
Change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

Significant non-cash transaction

A dividend of £3m to equity holders was settled by reduction of receivables from group companies. This dividend related to the net income for Financial year 2018.

Siemens Healthineers AG and Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens Healthineers 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 Healthineers AG and Siemens AG accounts are shown as intercompany balance. Changes in the balances on these facilities are included in cash flows from financing activities in the Statement of Cash Flows. An increase in cash that is loaned to the cash pool is shown as a cash outflow from financing activities, and an increase in cash borrowed from the cash pool is shown as a cash inflow from financing activities.

Siemens Healthcare Diagnostics Products Limited

STATEMENT OF CHANGES IN EQUITY

For the years ended September 30, 2019 and 2018 (in thousands of £)

	Share capital	Retained earnings	Total Equity
Balance brought forward October 1, 2017	1,700	41,572	43,272
Net Income for the financial year	-	3,461	3,461
Total comprehensive income for the financial year		3,461	3,461
Dividends to equity holders	-	(4,763)	(4,763)
Balance at September 30, 2018	<u>1,700</u>	<u>40,270</u>	<u>41,970</u>
Balance brought forward October 1, 2018	1,700	40,270	41,970
Net Income for the financial year	-	3,250	3,250
Total comprehensive income for the financial year	<u>-</u>	<u>3,250</u>	<u>3,250</u>
Dividends to equity holders	-	(3,000)	(3,000)
Balance at September 30, 2019	<u>1,700</u>	<u>40,520</u>	<u>42,220</u>

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

1. Basis of presentation

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

Siemens Healthcare Diagnostics Products Limited has prepared and reported its financial statements in Great British Pounds (GBP or £) and the financial information is disclosed in thousands of £ except where stated otherwise 'k' denotes thousands of £ and 'm' denotes millions of £. Siemens Healthcare Diagnostics Products Limited is a United Kingdom based company incorporated in England and Wales with the principal activity being the manufacture and sale of IMMULITE products worldwide, which takes place at the site in Llanberis, North Wales.

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 2019. 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.

The financial statements contain information about Siemens Healthcare Diagnostics Products Limited as an individual company.

For 2019, 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 12 months. Thus the Company continues to adopt the going concern basis of preparation for the financial statements.

2. Summary of significant accounting policies

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

Revenue recognition — Under the condition that persuasive evidence of an arrangement exists, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks the revenue recognised is subject to the amount of payments irrevocably received.

Sale of goods: Revenue from the sale of goods is recognised at a point in time when control of the asset is transferred to the customer, usually on delivery of the goods.

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

Contract Balances

Trade receivables: A receivable represents the Company's right to an amount of consideration that is unconditional i.e. only the passage of time is required before payment of the consideration is due.

Interest income – Interest is recognised using the effective interest rate method.

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 five years. Government grants for research and development activities are offset against research and development costs. They are recognised as income over the periods in which the research

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

2. Summary of significant accounting policies (continued)

and development costs incur that are to be compensated. Government grants for future research and development costs are recorded as deferred income.

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.

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. Costs of construction of qualifying assets i.e. assets that require a substantial period of time to be ready for its intended use, include capitalised interest, which is amortised over the estimated useful life of the related asset. The estimated useful lives are assumed:

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

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

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

Income taxes — The Siemens group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of taxpayers and local tax authorities. Under the liability method, deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognised if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. 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.

Provisions - A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognised as a provision and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognised in the Income Statement. The present value of recognised obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development and normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

2. Summary of significant accounting policies (continued)

depreciated over the life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in estimates are generally recognised by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Company recognises a gain or loss on settlement.

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

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

Loans and receivables - Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts. 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.

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).

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:
The Company does not have any finance leases. Under operating leases, the asset does not appear in property, plant & equipment and lease payments are charged to the Income Statement 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 Income Statement represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

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

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

2. Summary of significant accounting policies (continued)

Share-based payments — The Company participates in equity-settled share-based payment plans established by its ultimate parent undertaking, Siemens AG. In accordance with IFRS 2, the fair value of 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.

New and amended standards effective for the year ended September 30, 2019:

IFRS 9 - Financial Instruments

The Company has adopted IFRS 9 retrospectively as of October 1, 2018 and have not adjusted comparative figures for the preceding fiscal year, in accordance with IFRS 9 transitional provisions. 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 Company has applied the simplified impairment model to recognise lifetime expected credit losses of trade receivables, contract assets and lease receivables. Existing hedge accounting relationships has also met the hedge accounting requirements under IFRS 9. The adoption has not had a significant impact on the Company.

IFRS 9 (Amendments) - Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

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.

These amendments have not had any impact on the Company.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation (effective for the fiscal year beginning as of October 1, 2018) clarified 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 interpretation has not had any significant impact on the Company.

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

2. Summary of significant accounting policies (continued)

Several other amendments and interpretations apply for the first time for the year ended September 30, 2019, but do not have an impact on the financial statements of the Company.

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. There is no impact on the Company's financial statements as a result of this.

IAS 12 Income Taxes

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

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. There is no impact on the Company's financial statements as a result of this.

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, 2019, and have not been applied in preparing these financial statements. Those standards that have relevance to the company are mentioned below:

Definition of a Business - Amendments to IFRS 3

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

Prepayment Features with Negative Compensation - Amendments to IFRS 9

The amendments to IFRS 9, effective for annual periods beginning on or after 1 January 2019, clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. This will be effective from 1 October 2019, however the Company is not expecting any material impact by these amendments on transition.

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 sheet leases on to the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

2. Summary of significant accounting policies (continued)

Siemens 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 preceeding year will not be adjusted. Currently, it is expected that the majority of the transition effect relates to company cars. By applying IFRS 16, straight-line operating lease expense will be replaced by depreciation expense on the 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 Financial statements. It is intended to use most of the simplifications available under IFRS 16.

Definition of Material - Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments, effective for annual periods beginning on or after 1 January 2020, require an entity to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. This will be effective from 1 October 2019, however the Company is not expecting any material impact by these amendments on transition.

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.

3. Revenue

All revenue is earned from the business category of Healthcare.

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

	Year ended September 30,	
	2019	2018
Type of goods or service		
Sale of manufactured products	61,106	62,939
Total revenue from sales to distribution centres	61,106	62,939

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

	Year ended September 30,	
	2019	2018
Net foreign exchange gains	(757)	(656)
Depreciation of property, plant and equipment	2,033	1,751
Staff costs (see note 6)	15,235	14,741
Auditor's remuneration		
audit of financial statements	27	29

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2018:£nil).

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

5. Other operating expenses

	Year ended September 30,	
	2019	2018
Other operating expense	(21)	(36)
	<u>(21)</u>	<u>(36)</u>

6. Staff Numbers and costs

	Year ended September 30,	
	2019	2018
Wages and salaries	12,877	12,556
Social security costs	1,236	1,259
Expenses relating to pension plans and employee benefits	1,122	926
	<u>15,235</u>	<u>14,741</u>

The average number of employees (including executive directors) during 2019 and 2018 was 377 and 379, respectively. 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,	
	2019	2018
	Number	Number
Manufacturing and services	345	345
Research and development	32	34
	<u>377</u>	<u>379</u>

7. Directors' emoluments

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

	Year ended September 30,	
	2019	2018
Emoluments receivable	421	448
	<u>421</u>	<u>448</u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £283k (2018: £301k). Two of the Directors are members of the defined contributions scheme. None of the Directors are members of a defined benefit scheme. One Director is a member of a long term incentive scheme.

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

8. Interest income / (expense)

Interest income / (expense) is all for financial assets or liabilities that are not recorded at fair value through the Income Statement.

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

	Year ended September 30,	
	2019	2018
Interest income	43	19
Interest expense	(4)	(4)
Interest income, net	39	15

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 income of Operations, net includes interest income arising directly from operating activities. There was no other interest income during the year.

9. Taxes

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

	Year ended September 30,	
	2019	2018
Current tax:		
UK corporation tax	921	919
Adjustments for prior year	10	58
	931	977
Deferred tax:		
Origination and reversal of temporary differences - current year	(42)	29
Origination and reversal of temporary differences - prior year	(46)	7
Tax expense	843	1,012

Of the deferred tax credit in 2019 and the deferred tax expense in 2018, £88k and £35k, respectively, relate to the origination and reversal of temporary differences.

For the years ended September 30, 2019 and 2018, the Company was subject to UK corporation tax at a rate of 19%.

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

9. Taxes (continued)

The total tax expense differs from the amounts computed by applying the statutory UK tax rate as follows:

	Year ended September 30,	
	2019	2018
Profit before tax	<u>4,093</u>	<u>4,473</u>
Tax at 19% (2018: 19%)	778	850
Increase / (decrease) in taxes resulting from:		
Non-deductible losses and expenses	97	101
(Over)/Under provided in prior years – deferred tax	(46)	6
Under provided in prior years – current tax	10	58
Rate change adjustment difference between current tax and deferred tax rate	5	(3)
Total income tax expense	<u>843</u>	<u>1,012</u>

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

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

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

	2019	2018
Assets:		
Property, plant and equipment	11	-
Liabilities	82	80
Deferred tax assets	<u>93</u>	<u>80</u>
Liabilities:		
Property, plant and equipment	-	(74)
Deferred tax liabilities	-	(74)
Total deferred tax assets, net	<u>93</u>	<u>6</u>

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

As of September 30, 2019 the Company had no gross tax carry forwards (2018: £nil)

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

9. Taxes (continued)

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

	2019	2018
Deferred tax liabilities (assets) balance as at 1 October	(6)	(41)
Income tax presented in the Statement of income	(87)	35
Changes in items of the Statement of comprehensive income	<u>-</u>	<u>0</u>
Deferred tax liabilities (assets) balance as at 30 September	(93)	(6)

10. Dividends Paid

	Year ended September 30,	
	2019	2018
Dividends Paid	3,000	4,763

The Company has paid a £3m dividend in the year to its parent undertaking (see note 28) of £1.76 per share (2018: £2.33 per share), related to the net income of financial year 2018.

11. Trade and other receivables

	Year ended September 30,	
	2019	2018
Trade receivables from the sale of goods and services	5	5
Receivables from group companies	5,478	6,180
	<u>5,483</u>	<u>6,185</u>

12. Inventories

	Year ended September 30,	
	2019	2018
Raw materials and supplies	20,216	20,724
Work in progress	10,877	9,175
Finished goods and products held for resale	1,336	1,023
	<u>32,429</u>	<u>30,922</u>

Cost of sales includes inventories recognised as an expense amounting to £45,380k and £45,709k, respectively, in fiscal 2019 and 2018.

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

13. Other current assets

	Year ended September 30,	
	2019	2018
Prepaid expenses	128	285
	<u>128</u>	<u>285</u>

14. Other current financial assets

	Year ended September 30,	
	2019	2018
Other current financial assets	878	784
	<u>878</u>	<u>784</u>

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

15. Property, plant and equipment

	Land & buildings	Technical machinery & equipment	Furniture & office equipment	Construction in progress	Total
Cost					
At October 1, 2017	3,646	13,216	4,808	838	22,508
Additions		690	135	406	1,231
Disposals	-	(166)	(57)	-	(223)
Transfers from group companies	8,255		-	-	8,255
At September 30, 2018	11,901	13,740	4,886	1,244	31,771
At October 1, 2018	11,901	13,740	4,886	1,244	31,771
Additions		89	208	107	404
Transfers		457	468	(925)	-
Disposals	(14)	(53)	(45)	-	(113)
Transfers to group companies		(90)			(90)
At September 30, 2019	11,887	14,143	5,517	426	31,972
Accumulated depreciation and impairment					
At October 1, 2017	1,887	9,069	3,089	-	14,045
Charge for the year	229	987	535	-	1,751
Disposals	-	(166)	(57)	-	(223)
Transfers from group companies	5,605		-	-	5,605
At September 30, 2018	7,721	9,890	3,567	-	21,178
At October 1, 2018	7,721	9,890	3,567	-	21,178
Charge for the year	335	1,083	615		2,033
Disposals	(8)	(53)	(45)		(106)
Transfers to group companies		(75)			(75)
At September 30, 2019	8,048	10,845	4,137	-	23,030
Net book value					
At October 1, 2017	1,759	4,147	1,719	838	8,463
At September 30, 2018 and October 1, 2018	4,180	3,850	1,319	1,244	10,593
At September 30, 2019	3,839	3,298	1,380	426	8,942

As of September 30, 2019 contractual commitments for the purchase of plant, property and equipment amount to £328k (2018: 183k)

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

16. Trade payables

	Year ended September 30,	
	2019	2018
Trade payables	2,078	3,800
Amounts due to group companies	57	45
	<u>2,135</u>	<u>3,845</u>

17. Other current liabilities

	Year ended September 30,	
	2019	2018
Payroll and social security taxes	429	439
Bonus obligations	667	820
Other employee related costs	164	218
Other tax liabilities	1	64
Deferred income	191	212
Other accrued liabilities	29	36
	<u>1,481</u>	<u>1,789</u>

Deferred income includes amounts in respect of government grants as follows:

	Year ended September 30,	
	2019	2018
Balance at beginning of year	212	233
Credited to income statement	(21)	(21)
Balance at end of year	<u>191</u>	<u>212</u>

A property development grant of £500,000 was awarded in the year ended December 31, 2003 as a contribution towards the construction of an Assembly/Warehouse Facility and the creation of jobs in North Wales. Payment of the grant was received on October 31, 2004 and the grant is being amortised over the estimated useful economic life of the associated assets of 24 years.

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

18. Pension plans and similar commitments

Defined contribution plan

The Company participates in a defined contribution pension plan. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,122,000 (2018: £926,000).

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

19. Other Liabilities

Provisions changed during 2019 as follows:

	Other	Total
Balance at beginning of year	194	194
Provided	14	14
Balance at end of year	208	208

20. Share capital

Allotted, called up and fully paid:

	September 30, 2019		September 30,	
	Number	£'000	Number	£'000
Ordinary shares of £1 each	1,700,100	1,700	1,700,100	1,700

21. Commitments and contingencies

Guarantees and other commitments

The Company gave guarantees and performance bonds in respect of contractual obligations totalling £300,000 (2018: £300,000)

As of September 30, 2019 future payment obligations (non discounted) under non-cancellable operating leases are as follows:

	September 30,	
	2019	2018
Within one year	58	112
After one year but not more than five years	18	126

22. Share-based payments

The information in this note is presented in respect of Siemens Healthcare Diagnostics Products Limited. Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG & Siemens Healthineers 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 Healthcare Diagnostics Products Limited net income for continuing and discontinued operations amounted to £8k and £15k for Siemens AG and £10k and £29k for Siemens Healthineers AG for the year ended September 30, 2019 and 2018 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

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

22. Share-based payments (continued)

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, 2019 Siemens AG granted 0 (2018: 251) stock awards to 0 employees (2018: 3 UK employees).

In the year ended September 30 2019 Siemens Healthineers AG granted 1332 (2018: 596) stock awards to 4 employees (2018: 1 UK employees).

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

Siemens AG	Year ended September 30,		Year ended September 30,	
	Awards	Weighted average grant-date fair value (€)	Awards	Weighted average grant-date fair value (€)
	2019	2019	2018	2018
Non-vested, beginning of period	887	60.67	1177	63.50
Granted	-	0.00	251	72.29
Vested	-206	54.67	-361	72.20
Forfeited	-	0.00	-180	72.29
Non-vested, end of period	681	62.48	887	60.67

Siemens Healthineers AG.	Year ended September 30,		Year ended September 30,	
	Awards	Weighted average grant-date fair value (€)	Awards	Weighted average grant-date fair value (€)
	2019	2019	2018	2018
Non-vested, beginning of period	596	21.82	-	-
Granted	1332	18.01	596	21.82
Vested	-	-	-	-
Forfeited	-	-	-	-
Non-vested, end of period	1928	19.19	596	21.82

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 2019 and 2018 amounted to €nil and €18k respectively for Siemens AG and €24k and €13k for Siemens Healthineers AG in 2019 and 2018 respectively.

As of September 30, 2019, for Siemens AG the weighted average remaining contractual life of options outstanding at the end of the period relating to the stock awards was 0.702 years (2018: 1.326 years).

For Siemens Healthineers AG, the weighted average remaining contractual life of options outstanding at the end of the period relating to the stock awards was 2.774 years (2018: 3.083 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.

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

22. Share-based payments (continued)

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, 2019 Siemens AG granted 0 (2018: 119) shares to 0 (2018: 40) UK employees. And Siemens Healthineers AG granted 280 (2018: 0) shares to 104 (2018: 0) UK employees.

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

Siemens AG	Year ended September 30,		Year ended September 30,	
	Awards	Weighted average grant-date fair value (€)	Awards	Weighted average grant-date fair value (€)
	2019	2019	2018	2018
Non-vested, beginning of period	-	0.00	269	79.57
Granted	-	0.00	119	98.13
Vested	-	0.00	-166	71.70
Forfeited	-	0.00	-7	96.38
Non-vested, end of period	-	0.00	216	95.29

Siemens Healthineers AG	Year ended September 30,		Year ended September 30,	
	Awards	Weighted average grant-date fair value (€)	Awards	Weighted average grant-date fair value (€)
	2019	2019	2018	2018
Non-vested, beginning of period	216	95.29	-	0.00
Granted	280	82.43	-	0.00
Vested	-99	92.11	-	0.00
Forfeited	-27	86.64	-	0.00
Cashed Out	-2	89.85	-	0.00
Non-vested, end of period	368	87.02	-	0.00

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 2019 and 2018 amounted to €nil and €12k respectively for Siemens AG.

Total fair value of shares granted under the share matching plan in 2019 and 2018 amounted to €23k and €nil respectively for Siemens Healthineers AG.

As of September 30, 2019, for Siemens AG the weighted average remaining contractual life of options outstanding at the end of the period relating to the share matching plan was 0 years (2018: 0.862 years).

For Siemens Healthineers AG, the weighted average remaining contractual life of options outstanding at the end of the period relating to the share matching plan was 1.041 years (2018: 0 years).

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

22. Share-based payments (continued)

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.

Total expense for Siemens Profit Sharing recognised in Siemens Healthcare Diagnostics Products Limited net income for continuing and discontinued operations amounted to £nil for the year ended September 30, 2019. The accrual as at September 30, 2019 was £nil, since no grant of award took place during the financial year.

23. 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:

	Year ended September 30,	
	2019	2018
Financial assets		
Loans and receivables	6,361	6,969
	<u>6,361</u>	<u>6,969</u>
Financial liabilities		
Financial liabilities measured at amortised cost	2,164	3,881
	<u>2,164</u>	<u>3,881</u>

The fair values of amounts due to and from group companies and trade payables approximate their carrying amount largely due to the short-term maturities of these instruments.

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 Siemens AG as part of the cash pooling facility across the worldwide Siemens group.

The approximate impact on the Income Statement of a 1% fluctuation in interest rates would be £65k in 2019.

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. Credit evaluations and ratings are performed on all customers with an exposure or requiring credit beyond a defined limit. The Company's main customers are Siemens distributors worldwide which present low credit risk.

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

23. Additional disclosures on financial instruments (continued)

Concerning trade receivables and other receivables as well as other receivables included in Other Financial assets that are neither impaired nor past due, there are no indications as of September 30, 2019, that defaults in payment obligations will occur.

Market risk

Market fluctuations may result in significant cashflow and profit volatility risk for Siemens Healthcare Diagnostics Products Limited. It's UK and worldwide operating business, as well as its investment and financing activities, are affected by changes in foreign exchange rates, interest rates and equity prices. To optimize the allocation of the financial resources across the Groups, as well as to secure an optimal return for its shareholders, Siemens identifies, analyses and proactively manages the associated financial market risks.

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

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

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.

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.

The tables below show the net foreign exchange transaction exposure by major currencies as of September 30, 2019 and 2018:

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

23. Additional disclosures on financial instruments (continued)

September 30, 2019	US\$	Euro	Total
Gross statement of financial position exposure	(230)	(14)	(244)
<i>Thereof: Financial asset</i>	6	-	6
<i>Thereof: Financial liabilities</i>	(236)	(14)	(250)
Gross exposure from firm commitments and anticipated transactions	-	-	-
Foreign exchange transaction exposure	(230)	(14)	244
Economically hedged exposure			
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(23)	(1)	(24)
September 30, 2018	US\$	Euro	Total
Gross statement of financial position exposure	(832)	(295)	(1,127)
<i>Thereof: Financial asset</i>	6	-	6
<i>Thereof: Financial liabilities</i>	(838)	(295)	(1,133)
Gross exposure from firm commitments and anticipated transactions	-	-	-
Foreign exchange transaction exposure	(832)	(295)	(1,127)
Economically hedged exposure			
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(83)	(30)	(113)

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

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. 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 with Siemens Financial Services and loans from banks as stated on the Statement of Financial Position. The amounts receivable from and due to group companies reported below are held with Siemens Healthineers AG and Siemens AG (Siemens Financial Services division) in the group cash pooling facility. For further information, refer to the Statement of Cashflow.

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

23. Additional disclosures on financial instruments (continued)

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

Capital Management

	Year ended September 30	
	2019	2018
Receivables from group companies	5,478	6,180
Total Liquidity	5,478	6,180
Amounts due to group companies	57	45
Total Debt	57	45
Net Liquidity	5,421	6,135

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 2019 was 7.0 (2018: 5.8). The Company also has access to the Siemens Healthineers AG cash pooling arrangement when necessary.

24. Related party transactions

Transactions between the Company and associates are disclosed below.

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

	Sales of goods		Purchases of goods		Purchase of property		Rental expense and other services purchased		Interest income	
	Year ended 2019	Year ended 2018	Year ended 2019	Year ended 2018	Year ended 2019	Year ended 2018	Year ended 2019	Year ended 2018	Year ended 2019	Year ended 2018
Other Siemens group companies	61,106	62,939	12,138	11,669	-	2,650	8,499	8,282	43	19

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

(b) There were no year end balances arising from sales of goods.

Siemens Healthcare Diagnostics Products Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018 (in thousands of £)

25. 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,	
	2019	2018
Short-term employee benefits	421	448
	<u>421</u>	<u>448</u>

26. Directors' transactions

No such transactions occurred in 2019 or 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).

27. Subsequent Events

There were no significant events after the reporting period.

28. Ultimate parent undertaking

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

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

The immediate parent undertaking is Siemens Healthineers Holding III B.V., a company incorporated in the Netherlands.