# VA TECH (UK) LIMITED
Annual report and financial statements
Registered number 03562487
September 30, 2016

**VA TECH (UK) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

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**VA TECH (UK) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

The directors of VA Tech (UK) Limited ("the Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2016.

## STRATEGIC REPORT

### Principal activities

VA Tech (UK) Limited is a holding company for one subsidiary which operates in the electrical transmission and distribution industry.

### General business review - Statement of Income

The performance in 2016 is in line with the expectations of the directors.

The Company made a net loss for the financial year, net of taxation of £653k (2015: £594k).

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The volatility in the world's financial markets and the ongoing volatility exhibited within the UK economy, partly as a result of the EU Referendum decision for the UK to leave 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.

### General business review - Statement of Financial Position

Total assets have decreased to £122,198k (2015: £122,634k) mainly as a result of a decrease in Trade and other receivables by £600k and an increase in Current income tax assets of £164k. Trade payables have decreased by £217k.

### General business review – Statement of Cash Flows

During the year, the Company has paid interest of £812k (2015: £635k) and has had a change in financing from other group companies of £817k (2015: £604k).

### 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 changes in the regulatory and legal environment, and credit and interest rate risks, which may increase due to the global shortage of credit.

Additionally, Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Further information on these risks, and their potential impacts, can be found in the 2016 Siemens AG annual report.

For 2016, 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.

### Changes in Investments

Details of changes in investments are disclosed in note 8.

Signed by order of the board of directors

C Ennis
Director

Approved by the directors on December 12, 2016

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:

| | |
|---|---|
| GSH Weir | |
| P Maher | resigned September 30, 2016 |
| C Ennis | appointed October 1, 2016 |

None of the directors holding office at September 30, 2016 had notified a beneficial interest in any contract to which the Company or its subsidiary undertakings were a party during the financial year.

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

### DIVIDENDS

The directors have not recommended a dividend (2015: £nil).

### FINANCIAL INSTRUMENTS

VA Tech (UK) Limited's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 13 to the financial statements.

### SUBSEQUENT EVENTS

There were no significant events after the reporting period.

### GROUP POLICIES

**Employee participation**

There were no persons employed by the Company during the year.

**Environmental**

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

**Equal opportunities**

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

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

### POLITICAL DONATIONS

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

### DISCLOSURE OF INFORMATION TO THE AUDITOR

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

C Ennis
Director

Approved by the directors on December 12, 2016

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, 2016**

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 VA TECH (UK) LIMITED**

We have audited the financial statements of VA Tech (UK) Limited for the year ended September 30, 2016 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at September 30, 2016 and of its net loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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

Ernst & Young LLP

Alistair John Richard Nuttall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

15/12/16

## STATEMENT OF INCOME
**For the years ended September 30, 2016 and 2015 (In thousands of £)**

| | Note | 2016 | 2015 |
|---|---|---|---|
| Administrative expenses | | **(9)** | (113) |
| **Operating loss** | 3 | **(9)** | (113) |
| Interest income | 5 | **9** | - |
| Interest expenses | 5 | **(821)** | (635) |
| Loss from continuing operations before income taxes | | **(821)** | (748) |
| Income tax credit | 6 | **168** | 154 |
| **Net loss for the financial year** | | **(653)** | (594) |

Other than the net loss in the year there was no other comprehensive income in either 2016 or 2015.

STATEMENT OF FINANCIAL POSITION
**As of September 30, 2016 and 2015 (in thousands of £)**

| | Note | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| Trade and other receivables | 7 | **3,880** | 4,480 |
| Current income tax assets | | **318** | 154 |
| **Total current assets** | | **4,198** | 4,634 |
| Investments | 8 | **118,000** | 118,000 |
| **Total non-current assets** | | **118,000** | 118,000 |
| **Total assets** | | **122,198** | 122,634 |
| **LIABILITIES AND EQUITY** | | | |
| Trade payables | 9 | **687** | 470 |
| **Total current liabilities** | | **687** | 470 |
| Long-term debt | 10 | **65,000** | 65,000 |
| **Total non-current liabilities** | | **65,000** | 65,000 |
| **Total liabilities** | | **65,687** | 65,470 |
| **Equity** | | | |
| Share capital | 11 | **48,000** | 48,000 |
| Share premium | | **34,675** | 34,675 |
| Retained earnings | | **(26,164)** | (25,511) |
| **Total equity** | | **56,511** | 57,164 |
| **Total liabilities and equity** | | **122,198** | 122,634 |

These financial statements were approved and authorised for issue by the board of directors on December 12, 2016 and were signed on their behalf by:

.............................................

G Weir
Director

Registered number: 03562487

VA Tech (UK) Limited

VA TECH (UK) LIMITED

## STATEMENT OF CASH FLOWS
**For the years ended September 30, 2016 and 2015 (in thousands of £)**

| | Note | 2016 | 2015 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net loss for the financial year | | **(653)** | (594) |
| Adjustments to reconcile net loss to cash flows from operating activities | | | |
| Income tax credit | 6 | **(168)** | (154) |
| Interest expenses, net | 5 | **812** | 635 |
| Operating loss before changes in working capital and provisions | | **(9)** | (113) |
| Cash used in operations | | **(9)** | (113) |
| Income taxes received | | **4** | 144 |
| Interest paid | | **(812)** | (635) |
| **Cash flows from operating activities – continuing operations** | | **(817)** | (604) |
| Cash flows from financing activities | | | |
| Change in financing from other group companies | 7, 9 | **817** | 604 |
| **Cash flows from financing activities – continuing operations** | | **817** | 604 |
| 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** | | **-** | - |

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.

## STATEMENT OF CHANGES IN EQUITY
**For the years ended September 30, 2016 and 2015 (in thousands of £)**

| | Share capital | Share premium | Retained earnings | Total equity |
|---|---|---|---|---|
| Brought forward October 1, 2014 | 48,000 | 34,675 | (24,917) | 57,758 |
| Net loss for the financial year | - | - | (594) | (594) |
| **Balance at September 30, 2015** | 48,000 | 34,675 | (25,511) | 57,164 |
| Brought forward October 1, 2015 | **48,000** | **34,675** | **(25,511)** | **57,164** |
| Net loss for the financial year | - | - | **(653)** | **(653)** |
| **Balance at September 30, 2016** | **48,000** | **34,675** | **(26,164)** | **56,511** |

**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.

VA Tech (UK) 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 £. VA Tech (UK) Limited is a United Kingdom based company incorporated in England and Wales and is a holding company for subsidiaries which operate in the electrical transmission and distribution industry.

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

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 2016. 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 2016, 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.

*Transition to Adopted IFRS*

The company applied IFRS 1, First-time Adoption of International Financial Reporting Standards in making the transition to IFRS with October 1, 2014 as the date of transition to IFRS. IFRS 1 requires that all IFRS standards and interpretations that are effective for the first IFRS financial statements for the year ended September 30, 2016, be applied consistently and retrospectively for all years presented. However, this standard provides exemptions and exceptions to this general requirement in specific cases.

The transition to IFRS has not resulted in any changes to financial position and financial performance that were previously reported under UK GAAP. A cash flow statement is included to comply with the requirements of IFRS.

*Changes in presentation of the financial statements*

The presentation of the financial statements has been modified to comply with the requirements of IAS 1 Presentation of Financial Statements and Siemens AG reporting for the years ending 2016 and 2015.

**2. Summary of significant accounting policies and critical accounting estimates**

**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. For further explanation of the investment impairment testing in the period see note 8.

**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. If management considers it probable that all or a portion of a deferred tax asset cannot be realised, a corresponding valuation allowance is taken into account.

**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 13.

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, measure 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.*

**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 involved 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.

**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.

***New and amended standards effective for the year ended September 30, 2016:***

There are no new standards, amendments to standards and interpretations effective for the year ended September 30, 2016, which have been applied in preparing these financial statements.

**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, 2016, and have not been applied in preparing these financial statements. Those standards that have relevance to the Company are mentioned below:

**IFRS 9 - Financial Instruments**

This standard, effective for years beginning on or after January 1, 2018, is the first phase of the IASB's three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. The first phase addresses the requirements for the classification and measurement of financial assets and financial liabilities and hedge accounting requirements. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value, replacing the existing rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard also introduces new requirements relating to financial liabilities in relation to the presentation of changes in fair value due to credit risks and the removal of an exemption from measuring certain derivative liabilities at fair value. The Company is currently assessing the impact of the adoption on the Company's financial statements.

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

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

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

For the years ended September 30, 2016 and 2015 (in thousands of £)

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

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

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

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

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

The amendments, effective for annual periods beginning on or after January 1, 2016, to IAS 27 Separate Financial Statements allow a company to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, a company must account for these investments either at cost, in accordance with IFRS 9 (or IAS 39) or use the equity method. The Company is currently assessing the impact of this amendment.

**Annual Improvements 2012 - 2014 cycle**

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

**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. The Company is currently assessing the impact of this amendment.

**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. The Company is currently assessing the impact of this amendment.

**3. Operating loss from continuing operations has been arrived at after charging/(crediting):**

| | Year ended September 30, | |
|---|---|---|
| | **2016** | 2015 |
| Net foreign exchange (gains) / loss | **(2)** | 2 |
| Auditor's remuneration: | | |
| - audit of financial statements | **1** | 1 |

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2015: £nil).

For the years ended September 30, 2016 and 2015 (in thousands of £)

## 4. Directors' emoluments

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

| | Year ended September 30, 2016 | 2015 |
|---|---|---|
| Emoluments receivable | **1,039** | 651 |
| Compensation for loss of office | **3** | - |
| | **1,042** | 651 |

The directors of the company are also directors and employees of fellow subsidiary companies. All of the Company's directors are remunerated by Siemens Plc. The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £767,911 (2015: £384,000). None of the directors are members of the defined contributions scheme. One of the directors is a member of a defined benefit scheme. Share-based payments are described in note 2. Two of the directors have qualifying services shares receivable from a long-term incentive scheme.

## 5. 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, 2016 | 2015 |
|---|---|---|
| Interest income | **9** | - |
| **Interest income, net** | **9** | - |
| Interest expense | **(821)** | (635) |
| **Interest expense, net** | **(821)** | (635) |
| Thereof: Other interest expense, net | **(812)** | (635) |

*Other interest expense, net* includes all other interest amounts primarily consisting of interest relating to corporate debt, as well as interest income on corporate assets.

For the years ended September 30, 2016 and 2015 (in thousands of £)

## 6. Taxes

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

| | Year ended September 30, | |
|---|---|---|
| | **2016** | 2015 |
| **Current tax:** | | |
| UK corporation tax | **(163)** | (149) |
| Adjustments for prior years | **(5)** | (5) |
| | **(168)** | (154) |
| **Tax credit** | **(168)** | (154) |

For the years ended September 30, 2016 and 2015, the Company was subject to UK corporation tax at a rate of 20% and 20.5% (21% during the 6 months to April 1, 2015 and 20% during the 6 months to September 30, 2015) 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, | |
|---|---|---|
| | **2016** | 2015 |
| Net loss before tax (continuing operations) | **(821)** | (748) |
| Tax at 20% (2015: 20.5%) | **(164)** | (153) |
| Increase / (decrease) in income taxes resulting from: | | |
| Non-deductible losses and expenses | **1** | 4 |
| Over provided in prior years - current tax | **(5)** | (5) |
| **Total income tax credit for the year** | **(168)** | (154) |

## 7. Trade and other receivables

| | September 30, | |
|---|---|---|
| | **2016** | 2015 |
| Receivables from group companies | **3,880** | 4,480 |
| | **3,880** | 4,480 |

**For the years ended September 30, 2016 and 2015 (in thousands of £)**

**8. Investments**

| | Shares in subsidiary undertakings |
|---|---|
| **Cost** | |
| At October 1, 2014 | 118,000 |
| At September 30, 2015 | 118,000 |
| **At October 1, 2015** | **118,000** |
| **At September 30, 2016** | **118,000** |
| **Provisions** | |
| **At October 1, 2015** | - |
| **At September 30, 2016** | - |
| **Net book value** | |
| At October 1, 2014 | 118,000 |
| At September 30, 2015 and October 1, 2015 | 118,000 |
| **At September 30, 2016** | **118,000** |

The companies set out below are the subsidiary undertakings as at September 30, 2016. Shareholdings are in voting equity capital of companies registered in England and Wales and the voting equity capital is wholly owned, except where otherwise stated.

| ***Company:*** | ***Proportion of ordinary equity and voting rights held*** | ***Nature of business*** |
|---|---|---|
| Siemens Transmission and Distribution Limited | 100% | Electrical transmission and distribution |

**9. Trade payables**

| | September 30, **2016** | 2015 |
|---|---|---|
| Trade payables | **1** | 1 |
| Amounts due to group companies | **686** | 469 |
| | **687** | 470 |

After the year end the Company renegotiated its financing to extend the intergroup long term loan. As a result amounts disclosed as Amounts owed to group undertakings above form part of the intergroup long term loan and are classified as long term post year end.

For the years ended September 30, 2016 and 2015 (in thousands of £)

**10. Debt**

| | September 30, 2016 | 2015 |
|---|---|---|
| **Long-term debt** | | |
| Long-term loan from group company | **65,000** | 65,000 |
| | **65,000** | 65,000 |

The long term loan is held with Siemens Financieringsmaatchappij NV.

**11. Share capital**

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

| | September 30, 2016 | 2015 |
|---|---|---|
| 48,000,000 (2015: 48,000,000) Ordinary Shares of £1 each | **48,000** | 48,000 |

**12. Commitments and contingencies**

As of September 30, 2016 and 2015 the Company had no capital commitments.

**13. 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, 2016 | 2015 |
|---|---|---|
| Financial assets | | |
| Loans and receivables | **3,880** | 4,480 |
| | **3,880** | 4,480 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | **65,687** | 65,470 |
| | **65,687** | 65,470 |

All financial assets and liabilities are measured at amortised cost.

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.

For the years ended September 30, 2016 and 2015 (in thousands of £)

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

| | September 30, 2016 | 2015 |
|---|---|---|
| Financial assets / (liabilities) measured at amortised cost | **2** | (2) |

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

There were no net gains / (losses) on financial assets or liabilities in either 2016 or 2015.

**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.

**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 £39k in 2016.

***Credit risk***

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.

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, 2016, that defaults in payment obligations will occur. The Company is not exposed to credit risk in connection with its receivables from other group companies.

***Equity price risk***

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

***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.

| | **2017** | **2018** | **2019 to 2021** | **2022 and thereafter** |
|---|---|---|---|---|
| Non derivative financial liabilities | **687** | **-** | **-** | **-** |
| Trade payables | **687** | **-** | **-** | **-** |

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2016.

The Company has £686k (2015: £469k) amounts due to group companies included in trade payables. Historically other group companies have not demanded repayment of these intercompany balances.

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, 2016 and 2015 (in thousands of £)

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

| | September 30, 2016 | 2015 |
|---|---|---|
| Receivables from group companies | **3,880** | 4,480 |
| Total liquidity | **3,880** | 4,480 |
| Long term debt | **65,000** | 65,000 |
| Total debt | **65,000** | 65,000 |
| Net debt | **(61,120)** | (60,520) |

In addition to the balances above, which are held with Siemens AG in the group cash pooling facility, receivables from Siemens group companies of £nil (2015: £nil), amounts due to Siemens group companies of £686k (2015: £469k) are held outside this facility. Historically other Siemens group companies have not demanded repayment of these intercompany balances.

**14. Related party transactions**

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

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

| | Corporate governance costs | | Interest income | | Interest expense | |
|---|---|---|---|---|---|---|
| | **Year ended 2016** | Year ended 2015 | **Year ended 2016** | Year ended 2015 | **Year ended 2016** | Year ended 2015 |
| Subsidiaries | - | 110 | - | - | - | - |
| Other group companies | - | - | **9** | - | **821** | 635 |

Recharges of corporate costs to related parties were made with no margin added.

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

Year end balances arising from sales / purchases of goods and services amounted to £nil (2015: £nil).

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

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Other Siemens group companies | **3,880** | 4,480 | **65,686** | 65,469 |

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.

**15. 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, 2016 | 2015 |
|---|---|---|
| Short-term employee benefits | **1,039** | 651 |
| Termination benefits | **3** | - |

**16. Directors' transactions**

No such transactions occurred in 2016 or 2015 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the directors (or other key management personnel).

**17. Subsequent events**

There were no significant events after the reporting period.

**18. Ultimate parent undertaking**

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

Siemens AG
Wittelsbacherplatz 2
D-80333 Munich
Germany

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

**19. GAAP reconciliation**

The transition to IFRS has not resulted in any changes to financial position and financial performance that were previously reported under UK GAAP.