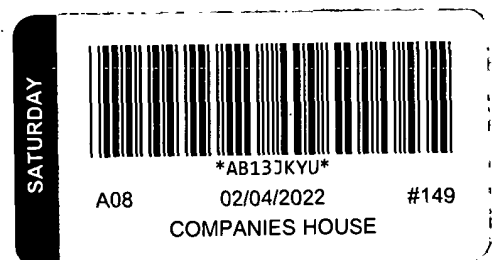




MATERIALS SOLUTIONS LIMITED
Annual report and financial statements
Registered number 09364823
September 30, 2021



MATERIALS SOLUTIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

COMPANY INFORMATION

Directors	S Scrimshaw S Davina M Gray S Sarcander
Company secretary	P O'Brien
Registered number	09364823
Registered office	C A Parsons Works, Shields Road, Newcastle upon Tyne NE6 2YL United Kingdom
Independent auditor	Ernst & Young LLP No.1 Colmore Square Birmingham B4 6HQ United Kingdom

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MATERIALS SOLUTIONS LIMITED

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The directors of Materials Solutions Limited ("the Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2021. In these financial statements, the terms "Siemens Energy" and "Group" refer to Siemens Energy AG and its Group companies.

STRATEGIC REPORT

Principal activities

The Company is engaged in the manufacturing of metal structures and parts of structures. The Company is a global leader in harnessing Additive Manufacturing to manufacture high-performance metal components for power generation, aviation and automotive industries.

General business review

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The Company remains vigilant of warning signs exhibited in both the global economy and domestic economy. An evaluation of the potential impact of market factors is undertaken regularly by the management so that the Company can respond appropriately. This includes the ongoing consideration of the effects of Britain's recent exit ("Brexit") from the European Union ("EU") and the Brexit trade deal with regard to any short-to-medium term impact. Risks around these macro-economic factors have not had a material impact on the business and there is no impact on the figures presented as at September 30, 2021 and 2020.

The directors continue to consider ongoing risks related to the coronavirus disease ("COVID-19") that was declared a pandemic by the World Health Organisation in March 2020. The Company has assessed the ongoing potential impact on its business to be manageable. The Company continuously updates its business practices with regard to local laws and regulations to ensure business continuity in all working environments. As a result, the Company has continued to operate throughout the crisis and trade appropriately. This view is underpinned by business continuity planning, risk management and an integrated internal control framework.

The directors are closely monitoring the evolving strategic and policy landscape in support of achieving net zero in the UK by 2050 and the outcomes from COP26. The business is involved in a wide range of activities to support its customers in their Energy Transition journey, and this is helping to shape our response to the market.

Review of Statement of Income

The trading is in line with the business plan for development of the Company's business as agreed with the Siemens Energy board and part of Siemens Energy's commitment to develop its 'Additive manufacturing portfolio' into a long-term self-sustaining business.

The Company made a net loss for the financial year, net of taxation of £5,453k (2020: £4,422k).

Review of Statement of Financial Position

The Statement of Financial Position changes reflect the operational movements for the year. The Company's current assets have increased year on year from £5,635k to £7,673k, primarily due to an increase in prepayments and inventories. Current liabilities have increased from £23,600k to £30,642k, primarily as a result of an increase in amounts owed to Group undertakings.

Review of Statement of Cash Flows

Cash flows from operating activities show an outflow of £4,971k (2020: inflow of £528k) in the year. The primary driver for the outflow relates to the increase in trade and other receivables of £1,887k (2020: decrease of £1,833k). Cash flows from investing activities show an outflow of £835k in the year (2020: £460k), primarily due to additions to property, plant and equipment. Cash flows from financing activities show an inflow of £5,806k (2020: outflow of £68k) in the year, primarily due to intercompany financing, offset by lease repayments.

Analysis of Financial Key Performance Indicators

The Company measures its performance on a number of key performance indicators, including revenue, profit from operations and net cash from operations as discussed above.

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Principal risks and uncertainties

The Company has implemented a co-ordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk. Risks which the Company faces include price and product competition, integration of acquired businesses, performance risks under long term fixed price contracts, loss of supply of product components, changes in the regulatory and legal environment, and credit and interest rate risks, which may increase due to the global shortage of credit. The Company has a diversified range of customers and revenue streams and provides products and services that support essential public services.

Section 172(1) Statement

The directors of the Company must act in accordance with a set of general duties. These include a duty under s.172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members, and in doing so have regard (amongst other matters) to:

- 1) the likely consequences of any decision in the long term;
- 2) the interests of the Company's employees;
- 3) the need to foster the Company's business relationships with suppliers, customers and others;
- 4) the impact of the Company's operations on the community and the environment;
- 5) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- 6) the need to act fairly as between members of the Company.

Understanding the perspectives of the Company's stakeholders and building good relationships enables their views to be taken into account by the Board of directors of the Company ("Board"). The Board uses forums such as the Extended Board Meetings ("EBM") plus the Siemens Energy Management Meeting ("SEMM") cascades and other sessions to ensure they are well informed to make key decisions. All Board members participate in the EBM and SEMM cascades which have representation from all Business Units and Support functions. Given the size and nature of Siemens Energy in the UK, stakeholder engagement often takes place at both an operational and senior management level as well as by the Board, the mechanisms that are in place provide a good basis to ensure stakeholder feedback is considered in the operation of the Company.

The Company has common senior management team and operates under the same policies as the other UK Group entities. On this basis, the information disclosed in the statement here (and on the website) is combined and covers other Siemens Energy Group entities in the UK.

Employees	
<i>Striving to be an employer of choice, Siemens Energy places value on creating a culture of learning, promoting diversity and fostering equality</i>	
Engagement	Key topics, decisions and outcomes influenced by this stakeholder group

All our employees including apprentices and graduates are supported in growing and developing in their roles by the availability of comprehensive training programmes to equip them for both current and future roles. In addition to technical training, all our employees have access to learning and development resources that are individual, transparent and self-driven.

Siemens Energy promotes an active understanding of "Engagement" as taking actions resulting in positive change and fuelling Human Energy. To create the best possible employee experience and a thriving environment, we actively involve our employees: Employees have recently participated in the 'Siemens Energy Voices' employee opinion survey, this is in addition to 'Ask Me Anything' sessions with the Managing Director of the Board.

The views of our employees are critical in helping us continually improve ourselves as an organisation, and regular employee engagement surveys (twice a year) enable us to both further understand our employees' perspective and generate ideas which can benefit everyone.

The survey gives all employees worldwide, the opportunity to reflect and share their unique perspective on how they perceive our company, our culture, leadership, team collaboration and work environment. It addresses the topics like Drivers of Engagement, Human Energy, Employee Well-Being as well as Siemens Energy Behaviours & Values.

Employees can also make their views known through employee representative bodies, whether at a local, business or national level. These bodies provide a mechanism for ongoing dialogue between Company management and the employees' representatives on all aspects of the Company's operations. Furthermore, a confidential whistle-blowing hotline called 'Tell Us' enables employees to raise concerns about any aspect of Company practices or behaviour.

To drive Engagement and Human Energy, we expect and foster accountability on all levels. In addition to our corporate actions, our "Team up for Action" programme enables teams and their managers to realise positive change within their circle of influence: Employees focus on individual and team accountability for change while managers enable teams to create actions that will inspire engagement.

Inclusion and Diversity initiatives have focused on inclusive culture, LGBTQIA+ inclusion, racial and gender equality and equal opportunities for people with disabilities. Siemens Energy has sought to influence these topics externally through influencing and collaboration with customers and other Siemens Energy businesses through workshops, hosting webinars and on social media.

Siemens Energy is committed to building a welcoming, inclusive and diverse organisation. We understand diversity as a fact and inclusion as a choice: we want a diverse workforce that not only reflects today's society, but also makes best use of it by real inclusion. This means, we respect and value each other, so that everyone can fully develop their potential.

We use "inclusion" to describe our commitment to being an open and inclusive Company, striving to create safe, welcoming workplaces with a culture that encourages equality and belonging. We listen respectfully to learn from others and leverage our differences to innovate for better solutions. An inclusive culture brings our purpose to life; it ignites our innovation potential, paves our way towards a sustainable future and helps us transform ourselves and our customers.

We use "diversity" to describe our commitment to recognising and respecting the differences between people whilst valuing the contribution everyone can make to our business. We do not tolerate discrimination or bias of any kind. At Siemens Energy, we want every person to bring their whole self to work and trust that their potential will be fulfilled.

We have three strategic drivers that form the basis of our plan for Inclusion and Diversity:

Equal Opportunity: We are committed to fair and transparent practises for the attraction, promotion, development and retention of diverse people with different skills, abilities and ideas. We will listen, learn and act to visibly demonstrate to all our employees that we are committed to multivariate diversity. The Board is responsible for overseeing the Company's progress in closing the gender pay gap and publishes each year a Gender Pay Gap report.

Belonging: We make our mix work by creating an inclusive culture where people feel respected, engaged, able to speak up and be themselves.

Society and Partnerships: We work together, internally and externally, with customers and partners to support us in becoming more diverse and inclusive.

One effect of the COVID-19 pandemic has been to accelerate the flexibility of how our employees work. With Siemens Energy already committed to Employee Led Flexibility via its #bettertogether programme, in many cases employees can carry out their roles in a way which best fits their preferences and circumstances, reflecting the commitment of Siemens Energy to mobile working which includes working away from traditional workplaces, and instead working at home or other locations which suit both employees and the Company. This has become increasingly embedded as the 'New Normal' way of working for many of our employees.

Customers, Suppliers and Business Partners	
Engagement	Key topics, decisions and outcomes influenced by this stakeholder group

Business relationships with the Company's customers, suppliers, and other business partners are fundamental to Siemens Energy.

Customers are always at the centre of our thinking with regard to technology, innovation and how to best consult and support them. Our main goal is to establish ourselves as the partner of choice for our customers by fostering close and trusted partnerships.

We engage with our customers to develop a portfolio of energy technology products, solutions and services in the delivery of their operational business requirements. We develop strong relationships with customers, suppliers and business partners to assist in their journey to a more sustainable environment and a carbon neutral target.

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Liquidity of our suppliers is critical to ensure a sustainable supply chain and Board members support this through reviewing our payment performance; ensuring availability of electronic invoicing and engagement of senior management with suppliers who are showing signs of financial stress.

In the transmission sector Siemens Energy has long term relationships with all the major utilities and a selection of industrial customers and Special Purpose Vehicles (SPVs). We engage with our customers through a number of frameworks for product and systems, EPC construction contracts for major infrastructure projects in the offshore and interconnector sector and service contracts supporting the installed assets over its lifetime.

Siemens Energy has joined the Buy Social Corporate Challenge, an initiative aimed at embedding positive social and environmental impact into everyday business spend. The UK Government-backed Challenge sees a group of businesses committed to collectively spend £1 billion with social enterprise suppliers.

We have extended our supply chain finance solution in order to facilitate the sale of receivables under attractive conditions which optimises the suppliers cashflow and working capital including a reduction in administrative costs.

Siemens Energy is committed to increasing transparency of our carbon emissions through the supply chain and supporting suppliers to reduce their emissions.

Our electronic supplier integration programme (ESI+) continues to be rolled out to improve receipt and payment of invoices which makes the process even faster, more efficient and more transparent.

Siemens Energy continues to promote the real living wage with its suppliers to enhance people's lives which has been shown to improve supply chain performance.

In alignment with specific customers, Siemens Energy is actively working with suppliers to ensure all directly employed people and people employed within its sub-contractors are paid the real living wage.

Siemens Energy engages with 2000+ suppliers with 55% of these being third party and 45% being suppliers within the Siemens Energy Group.

Regular collaboration workshops are held which are attended by senior management from Siemens Energy and the supplier to discuss the wider aspects of the relationship.

Our suppliers add value to Siemens Energy and our stakeholders through product innovation, quality, availability and investment. We rely on our suppliers to provide a competitive and transparent supply chain, which we develop to ultimately generate affordable clean energy. Our aim is to create sustainable diversity and safety for our people and for the people in our supply chain.

All suppliers can access our supply chain management "About Us" communication page which encompasses collaboration, our supplier management portal and sustainability in the supply chain.

We have implemented correct purchasing guidelines for all our Business Units which ensures a standard global framework is in operation on how we engage and manage suppliers at Siemens Energy.

All suppliers are required to sign our Code of Conduct which clearly sets out the standards and principles when working with Siemens Energy, including on topics such as inclusion, diversity and sustainability. Suppliers must agree to follow the Code of Conduct and implement it within their own supply chains.

Our procurement teams are committed to developing business relationships formed by committed organisations to maximise joint performance for achievement of mutual objectives and creation of additional value. For strategic suppliers a member of the senior management team act as an owner of the relationship.

Communities and Environment.
Siemens Energy is committed to our purpose 'we energise society' which is supported by our Sustainability approach. Social Impact is delivered through our Societal Engagement Programme and protection of the environment is supported by our Decarbonisation and Zero Harm Programmes.
Engagement **Key topics, decisions and outcomes influenced by this stakeholder group**

Societal Engagement Programme

In the UK, we follow the Siemens Energy global approach, for societal engagement, with a focus on regional activities.

In the UK, we have established a Societal Engagement programme to deliver social value which is led by the Sustainability and supported by a network of local site and project ambassadors. Employees are encouraged to take two days per year to undertake volunteering to support the programme.

Societal Engagement is grouped into three key themes:

- Energy transformation
- Access to education
- Sustaining communities

We are committed to following the United Nations Sustainable Development Goals which are a social value charter for the planet and the principles laid out within the Public Services (Social Value) Act 2012.

We have engaged the services of a leading specialist consultancy in this area, Social Value Portal (SVP) to enable measurement of social value.

We use both non-financial and financial data as evidence of the impact of our activities on communities.

Societal Engagement Programme outcomes for FY21

Energy transformation

- National Energy Action (NEA) charity - 100 places funded on Decarbonising Homes training course for community workers, providing delegates with an understanding of low carbon and renewable technologies and how they can help people living in fuel poverty.

Access to education

- Virtual work experience resources developed for engagement with schools
- Inclusion and Diversity in education panel and hackathon in partnership with Stemettes
- School engagement STEM activities supported; Primary Engineer competition, Virtual Rock Assembly with Talent Foundry

Sustaining communities:

- MIND – fundraising to support the mental health charity and mental health campaigns

- Wildlife Trusts – volunteer workdays

- Fundraising for local charities (nominated by each Siemens Energy site)

In FY21 a total of £37K was raised for Siemens Energy charities through fundraising activities.

We created £1M of social value delivered through volunteering, sponsorship and donations in kind.

Examples of social engagement on customer projects:

- Using a social enterprise for wood recycling, where the wood waste is re-used, creating jobs for local people
- Provision of water from a social enterprise company whose purpose is to invest profits into saving carbon emissions, championing a circular economy and ending water poverty
- Using services of a recycling supplier whose goal is to create social value each year that is equal to, or greater than, 10% of annual sales

YEAR ENDED SEPTEMBER 30, 2021

Decarbonisation Programme (UK)

The carbon footprint has been baselined in FY21 as the first full year operating as Siemens Energy. Progress in delivering targets will be reviewed against this baseline from FY22 onwards.

We will review annually to consider significant events and changes in circumstances such as site closures. Benefits of our business activities can provide both the rationale and the motivation for moving towards a net zero carbon society, as well as local benefits to the community.

Targets (Scope 1 & 2)

1. Reduction in absolute carbon emissions (CO₂e) by 5% year-on year
2. Annual energy performance targets for all Siemens Energy manufacturing sites and offices
3. Replace natural gas used for heating on manufacturing sites and offices by 2030
4. Reduction of carbon emissions from testing gas turbines by 5% year-on year (normalised against test demand)
5. Transition Siemens Energy vehicle fleet to be 100% low emission vehicles by 2025.

Targets (Scope 3)

1. Engage our supply chain to understand monitoring of scope 1, 2 and 3 emissions and develop improvement plans (3-year plan)

Zero Harm programme

Siemens Energy succeeds through its people. Fostering the health and safety culture and performance of Siemens Energy employees as well as safeguarding their working conditions are core to Siemens Energy social and business commitment.

Siemens Energy has a Zero Harm philosophy based on 4 principles:

- It is achievable
- We do not compromise
- We take care of each other
- We develop locally and share globally

Decarbonisation Programme (UK) outcomes

The Siemens Energy Decarbonisation programme will deliver outcomes around key targets through a series of workstreams reporting into a quarterly Decarbonisation Steering Committee. The programme has been communicated to internal and external stakeholders.

There are three-time frames for the programme to deliver transformational decarbonisation by 2030:

- Optimisation (2020-2023)
- Investment and Innovation (2023-2030)
- Transformation (2030 onwards)

Siemens Energy key manufacturing sites in Newcastle and Lincoln are certified to ISO 5001:2018 for energy management.

Carbon Footprint for FY21 to be verified by the Carbon Trust in November 2021.

Sustainable Procurement activities

In a pilot project, Siemens Energy has engaged key suppliers to gain visibility of Scope 1, 2 & 3 CO₂ emissions. This data will form our reporting base and an engagement plan developed to target specific areas / suppliers with the highest carbon emissions.

- Decarbonising the Supply Chain
- Sustainable Procurement Framework using ISO 20400
- SME/MSME Reporting
- Social Enterprise

The Company commits to supporting the physical and mental wellbeing of all employees, engaging with Occupational Health providers and various wellbeing partners to achieve this. Across the Company, Wellbeing Champions and Mental Health First Aiders are part of a strategic approach to wellbeing which aims to equip our managers and employees with the tools to cope with the stresses and strains of life and make healthy lifestyle decisions. All employees have access to an Employee Assistance Programme (including counselling where required), fortnightly virtual (due to Covid) Yoga sessions as well as various training courses on topics such as: Building Resilience, Mental Health Awareness, Mindfulness and Body Mechanics. In addition, line managers have access to a mental health awareness training course.

A suicide awareness and prevention webinar was run in FY21 available to all employees, with structured support available following on from the issues raised.

A monthly wellbeing newsletter and wellbeing awareness updates are regularly sent to employees of Siemens Energy.

In addition to creating local zero harm programs for Environment, Health and Safety, a country specific set zero Harm plan of commitments was rolled out designed to improve the Health and Safety performance and culture of the business.

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A global program has been rolled out in FY21 (October 2020 – September 2021) building on our existing strong Zero Harm culture, while putting ownership for developing and implementing Zero Harm with each local manager. The approach is bottom up, not top down, which is done to ensure that every employee is engaged in developing the program and understands the risks associated with their work environment.

We focus on minimising the environmental impact of our project and civils work, promoting circularity and reducing embedded carbon. For example, the Sanford project will reuse of 11,500m3 of topsoil and 3,544 m3 of subsoil in the project landscaping works to avoid this material becoming waste and being taken for disposal off site. The reuse on site of this material will achieve an approximate reduction of 725 tCO2.

Environmental Protection

Siemens Energy global Zero Harm programme supports both the safety of our employees (as described in Employees Section above) and protection of the environment.

Wood recycled from Rothie project site (circa 12.14 tonnes) was used for community projects, to make log stores or chipped and turned into fibre board for the construction industry. Plywood is used to make wildlife boxes.

There are four core principles underpinned by behaviours and building blocks for local programmes.

We support environmental and community improvements at our project site locations. For example, the Viking Link project are supporting the transformation an area of disused/overgrown land behind Donnington Graveyard into a wellbeing area for the community.

The specific focus for protection of the environment are:

- We will act to reduce the environmental impacts of our work activities and protect resources.
- We will never ignore any opportunities to minimize energy usage and waste generations.

Siemens Energy have supported Computer Aid for the personal old IT equipment recycling with 3,500 devices recycled and provided to communities in need.

The building blocks to support Zero Harm for the environment are:

- Decarbonisation,
- Product Stewardship
- Conservation of Resources.

All our businesses comply with the requirements of ISO 14001:2015 for Environmental Management and ISO 50001:2018 for Energy Management.

Government, Regulators and Trade Associations Regulators and Trade Associations	
<i>Continuous dialogue with policy-makers is extremely important for the success of a global company like Siemens Energy.</i>	
Engagement	Key topics, decisions and outcomes influenced by this stakeholder group

Siemens Energy is politically neutral, but we operate in markets which are shaped by UK Government policy, either directly or indirectly. We are also providers of solutions to some of the most pressing issues facing the planet, such as digitisation, decarbonisation and urbanisation. As a result, we are regularly consulted on economic and policy issues by governments, business associations and civil society.

Siemens Energy engages with policymakers at all levels in the UK Government, devolved nations and on a cross-party basis.

Our external engagement is governed in full accordance with our Company commitment to responsible and sustainable business. In doing so, we often meet with policymakers directly. We also engage through memberships of industry organisations such as Energy UK, Renewable UK and Make UK. These allow Siemens Energy to engage with peers and regulators to discuss emerging policies, regulation, and innovation.

Active topics this year include decarbonisation, exports and inward investment.

Members of our leadership team regularly meet with key contacts within the Department for Business, Energy and Industrial Strategy (“BEIS”), Number 10 energy policy team and the Department for International Trade, to discuss and understand the UK Government’s approach to reaching net zero and how energy policy will deliver this. Members of the EBM are also involved in joint Government-Industry working groups on developing hydrogen policy in the UK, including the UK Hydrogen Advisory Council and the hydrogen taskforce within the Strategic Markets Initiative. We responded to formal consultations on subjects including export finance – ending support for fossil fuel projects, and decarbonisation readiness. consultations on subjects including export finance – ending support for fossil fuel projects, and decarbonisation readiness.

There has been further political engagement with MPs and local political stakeholders in relation to construction projects and site footprints. has been further political engagement with MPs and local political stakeholders in relation to construction projects and site footprints. Engagement with Make UK has included employment policy implications of COVID-19 such as the furlough scheme and the Skills Survey post COVID-19. Siemens Energy participates in several Energy UK committees covering public affairs and policy development covering a range of topics. In addition, we have received information through our membership on the discussions Energy UK is having with BEIS and the Department of Health and Social Care relating to COVID-19.

Following the spin-off from Siemens AG in September 2020, a number of initiatives have been undertaken to ensure that Siemens Energy continues to be fully compliant with all applicable laws and regulations. Siemens Energy is currently rolling out its own set of policies and procedures to ensure that all employees, associates and contractors understand the zero-tolerance stance of Siemens Energy in relation to tax evasion. In addition, Siemens Energy has published a UK tax strategy, available on its website, outlining its approach to taxation in the UK and its intention to be fully compliant and transparent in its interactions with HMRC.

Siemens Energy AG Group Companies	
The Siemens Energy Group is building our new Company for long-term value creation through focusing on the energy market transformation and stronger profitability with a simplified and leaner Company structure.	
Engagement	Key topics, decisions and outcomes influenced by this stakeholder group

The Company has a twin track approach, delivering improved bottom line performance through its *PG2020*, *GP2020+* and *Accelerating Impact* programmes while creating long-term value through its *Energy of Tomorrow* programme with a focus on:

- The supply side (low or zero emission power generation),
- The distribution side (transport of and energy storage) and

Globally, Siemens Energy launched a cost optimisation and competitiveness programme called *Accelerating Impact*. The programme had an impact in the UK & Ireland, where significant restructuring in the Industrial Applications and Generation business units was required. Siemens Energy remains committed to the UK & Ireland and *Accelerating Impact* will enable future sustainable investment to continue.

Siemens Energy is committed to Inclusion and Diversity because we believe a welcoming, diverse and inclusive business culture is the foundation for innovation, better decision making and consequently improved profitability. As we master the energy transition, our business outcomes will be greatly enhanced through the rich multivariate diversity that we will foster in the Company.

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The demand side (reducing CO2 emissions through electrification)

The energy transition to net zero affects every part of Siemens Energy's market and our future depends on being leaders of the transition, regarded by all stakeholders as a trusted and capable partner. The transition is happening in different ways and timing in each country, so it is vital that Siemens Energy UK shows clear and consistent understanding of our local market and is seen to be a thought leader in key areas here.

All the above is underpinned by an Environmental, Sustainability and Governance ("ESG") programme.

In areas of rapid growth such as hydrogen or grid stability taking an early lead sets the pattern for the whole industry. We aim to emulate our success with offshore wind in the last decade where leading technology solutions coupled with recognised thought leadership helped secure our dominant position in the industry.

The strategic decisions of the Siemens Energy AG Group influence the decisions taken by the Board which, in turn, adapts the Group strategy for the UK specific market considering UK customer, employee and other stakeholder needs.

The Board and EBM members are in regular contact with customers and employees plus other key stakeholders and industry bodies to provide valuable input and to influence the Board decision making processes.

The directors have a strong relationship with the EBM team which is made up of all UK Business Units and Support Function Heads. This key stakeholder group regularly discuss the local Company strategy for implementation and adoption in their businesses or functions and regularly receive communications from the Siemens Energy AG Group Board to help inform progress and direction relating to the global strategy.

Dividend proposals are also a key decision made each year with the Board having regard to the ability of the Company to make a dividend taking into account, amongst other considerations (guidelines under Companies Act 2006 and Pension Schemes Act 2021), local funding requirements and investments as well as the needs of our global Siemens Energy Group.

The Board continues to maximise efficiencies by operating a lean board structure, and by investing in digital tools, to promote better and faster decision making.

Approved by the board of directors on March 30, 2022 and signed on its behalf by



S Scrimshaw
Director

Registered office:
C A Parsons Works,
Shields Road,
Newcastle upon Tyne
NE6 2YL, United Kingdom

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DIRECTORS' REPORT

The directors of Materials Solutions Limited ("the Company") during the year and subsequently were as follows:

S Scrimshaw	
S Davina	(Appointed: 28 February 2022)
M Gray	(Appointed: 28 February 2022)
S Sarcander	(Appointed: 28 February 2022)
M Seibold	(Resigned: 28 February 2022)
J G S Hunt	(Resigned: 28 February 2022)

None of the directors holding office at September 30, 2021 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 (2020: £nil).

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company spent £1,735k (2020: £1,396k) on research and development.

FINANCIAL INSTRUMENTS

The Company's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 21 to the financial statements.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The company has made an operating loss for the year of £6,148k (2020: £5,038k). The company has a deficit on the profit and loss reserve of £18,326k (2020: £12,873k deficit), and an overall net liability position of £15,839k (2020: £10,386k net liability position).

The Company's forecasts and projections, taking into account reasonable possible changes in trading performance, show that the Company has sufficient financial resources to call on from the Group to continue operations for the foreseeable future. In reaching their conclusion the Directors have reviewed the budget for 2022 and the forecast for 2023, and the related cash flow projections.

The directors continue to monitor the ongoing impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business. The current trading is in line with the updated forecasts taking into account the ongoing COVID-19 pandemic.

As part of the sensitivity analysis, management prepared a worst-case scenario forecast to estimate the impact on the results and cash forecast for the period 2022-2023, including order intake and revenue assumptions. This forecast considers the ongoing contracts which are part of the critical infrastructure and are not impacted by COVID-19 circumstances. Although the COVID-19 impact on results are unlikely to be recovered in the 2022 financial year, we do not anticipate the pandemic to have a lasting effect on the financial results beyond the year ending September 30, 2022. No government support schemes are considered as part of this scenario. This worst-case forecast shows an expected shortfall in the cash flow at the end of the 12 months period (April 2022 until March 2023). The Group has confirmed that it will continue to support the company to allow it to satisfy its financial obligations in the normal course of business for at least 12 months from signing of these financial statements. This funding is limited to a maximum amount sufficient to cover the forecasted cash shortfall in the worst-case situation. The directors are satisfied that based on the latest Group financial statements, it has sufficient resources and the ability to provide this support, should it be required.

Additionally, Siemens Energy AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens Energy 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 2021 Siemens Energy AG annual report.

For 2021, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

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STATEMENT OF ENGAGEMENT WITH EMPLOYEES

The directors continue to encourage employee participation within the Company. The Company utilises a number of initiatives to engage with employees and more information can be found in the s.172 statement on pages 2 to 9.

STATEMENT ON ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE COMPANY

Business relationships with the customers, suppliers, and other business partners are fundamental to Siemens Energy. The Group maintains business relationships only with reputable partners who comply with the law. The directors are required to promote the success of the Company as a whole and, in doing so, have regard to a range of stakeholders. Further information can be found in the s.172 statement on pages 2 to 9, where the Company have set out how it has engaged with its key stakeholders, including customers, suppliers and others in a business relationship with the Company, and how the Board has considered their interests during the year.

GROUP POLICIES

Environmental

Siemens Energy is committed to our purpose 'we energise society' which is supported by our Sustainability approach. Social Impact is delivered through our Corporate Society Responsibility ("CSR") strategy and protection of the environment is supported by our Decarbonisation and Zero Harm Programmes. In November 2020, the Group decided that it will no longer participate in new tenders for new purely coal-fired power generation projects, however, it will still meet existing commitments for coal-fired power plant projects, including binding offers, and it will also continue its CO2-reducing service and solutions business, e.g. combined heat and power ("CHP") projects. The Group is now further analysing with the requisite care what specific consequences this step will have for its employees and sites that are concerned. Siemens Energy will now discuss with its partners in the field of coal-fired power plant technology about the consequences of the decision for the partnerships.

Equal opportunities

The Company is committed to equal opportunities for all, free from discrimination and harassment. Siemens Energy 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 Energy, 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.

Inclusion and Diversity initiatives have focused on inclusive culture, LGBTQIA+ inclusion, racial and gender equality, and equal opportunities for people with disabilities. Siemens Energy has sought to influence these topics externally through influencing and collaboration with customers, suppliers and other Siemens Energy businesses through workshops, hosting webinars and on social media.

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.

SUBSEQUENT EVENTS

There were no other significant events after the reporting period.

The Directors have reviewed the conflict in Ukraine and have concluded there are no adjustments to make to the accounts.

MATERIALS SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 30, 2021

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.

Approved by the directors on March 30, 2022 and signed on its behalf by



S Scrimshaw
Director

Registered office:
C A Parsons Works,
Shields Road,
Newcastle upon Tyne
NE6 2YL, United Kingdom

MATERIALS SOLUTIONS LIMITED

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

YEAR ENDED SEPTEMBER 30, 2021

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws in the United Kingdom and those UK-adopted international accounting standards ('IAS').

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 IASs 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 IASs, 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 MATERIALS SOLUTIONS LIMITED
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Opinion

We have audited the financial statements of Materials Solutions Limited for the year ended 30 September 2021 which comprise the statement of income, the statement of financial position, the statement of cash flows, the statement of comprehensive income, the statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2021 and of its loss for the year then ended.
- have been properly prepared in accordance with UK adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006; 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue through until 31 March 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATERIALS SOLUTIONS LIMITED

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 13, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted International standards and Companies Act 2006) and the relevant tax compliance regulations in the UK.
- We understood how Material Solutions Limited is complying with those frameworks by enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was susceptibility to fraud. We understood the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, in respect of management override, including in respect of revenue recognised (specifically inappropriate manual journals to revenue), we performed audit procedures to address the identified fraud risk.
- We incorporated data analytics into our testing of manual journals, including segregation of duties, into our testing of revenue recognition. We performed audit testing over manual journals by testing specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATERIALS SOLUTIONS LIMITED

FOR THE YEAR ENDED SEPTEMBER 30, 2021

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations and respond to the assessed risks. Our procedures including verifying that material transactions are recorded in compliance with IFRS and where appropriate the Companies Act 2006. Compliance with other operational laws and regulations was covered through journal entry testing, with a focus on journals posted by the key management personnel including directors of the company and journals indicating large, unusual transactions based on our understanding of the business and enquiries of management. No indication of non-compliance was identified.

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

Stephen Kirk (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

30th March 2022

MATERIALS SOLUTIONS LIMITED**STATEMENT OF INCOME****FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)**

	Note	2021	2020
Revenue	3	7,135	5,269
Cost of sales		(8,915)	(6,876)
Gross loss		(1,780)	(1,607)
Marketing and distribution expenses		(80)	(225)
Administrative expenses		(4,078)	(3,206)
Other operating expenses	4	(210)	-
Operating loss	5	(6,148)	(5,038)
Interest income	8	-	6
Interest expenses	8	(343)	(239)
Loss from continuing operations before income taxes		(6,491)	(5,271)
Income tax credit	9	1,038	849
Loss from continuing operations, net of income taxes		(5,453)	(4,422)
Net loss for the financial year		(5,453)	(4,422)

The Company has no other gains or losses in the current and prior year, other than those included in the income statement above, and therefore no separate statement of comprehensive income has been presented.

MATERIALS SOLUTIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2021 (in thousands of £)

	Note	2021	2020
ASSETS			
Trade and other receivables	10	3,987	3,506
Inventories	12	2,279	1,741
Other current assets	11	1,407	388
Total current assets		7,673	5,635
Intangible assets	13	52	13
Property, plant and equipment	14	13,044	14,569
Total non-current assets		13,096	14,582
Total assets		20,769	20,217
LIABILITIES AND EQUITY			
Lease liabilities	18	1,967	1,907
Trade payables	15	28,042	21,189
Other current liabilities	16	633	504
Total current liabilities		30,642	23,600
Lease Liabilities -non-current	18	5,497	6,537
Other liabilities	17	25	17
Deferred tax liabilities	9	444	449
Total non-current liabilities		5,966	7,003
Total liabilities		36,608	30,603
Equity			
Share capital	19	-	-
Share premium		2,487	2,487
Retained earnings		(18,326)	(12,873)
Total equity		(15,839)	(10,386)
Total liabilities and equity		20,769	20,217

These financial statements were approved and authorised on March 30, 2022 for issue by the board of directors and were signed on their behalf by:



M Gray
Director

Registered number: 09364823

Materials Solutions Limited

MATERIALS SOLUTIONS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

	Note	2021	2020
Cash flows from operating activities			
Net loss for the financial year		(5,453)	(4,422)
Adjustments to reconcile net loss to cash flows from operating activities			
Depreciation and amortisation	5, 13, 14	3,189	2,438
Income tax credit	9	(1,038)	(849)
Interest expenses, net	8	(343)	233
Operating loss before changes in working capital and provisions		(3,645)	(2,600)
Changes in assets and liabilities			
Inventories	12	(538)	(479)
Trade and other receivables		(1,887)	1,833
Trade payables and accrued expenses		748	(70)
Long term liabilities		8	52
Cash used in operations		(5,314)	(1,264)
Research and development tax credit		-	19
Income taxes received		-	2,006
Interest paid		343	(239)
Interest received		-	6
Cash flows from operating activities – continuing operations		(4,971)	528
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	13, 14	(835)	(460)
Cash flows from investing activities – continuing operations		(835)	(460)
Cash flows from financing activities			
Intercompany loan from other Group companies	10, 15	7,873	1,572
Repayment of lease liabilities		(2,067)	(1,640)
Cash flows from financing activities – continuing operations		5,806	(68)
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 Energy AG operates a cash pooling facility across its worldwide Group. Cash balances generated by entities are passed to Siemens Energy 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 Energy 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.

MATERIALS SOLUTIONS LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)**

	Share capital	Share premium	Retained earnings	Total equity
Brought forward October 1, 2019	-	2,487	(8,451)	(5,964)
Net loss for the financial year	-	-	(4,422)	(4,422)
Total comprehensive loss for the financial year	-	-	(4,422)	(4,422)
Balance at September 30, 2020	-	2,487	(12,873)	(10,386)
Brought forward October 1, 2020	-	2,487	(12,873)	(10,386)
Net loss for the financial year	-	-	(5,453)	(5,453)
Total comprehensive loss for the financial year	-	-	(5,453)	(5,453)
Balance at September 30, 2021	-	2,487	(18,326)	(15,839)

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

1. Basis of presentation

The accompanying financial statements present the operations of Materials Solutions Limited (the "Company") and have been prepared and approved by the directors in accordance with the UK-adopted international accounting standards ('IAS') and applied in accordance with the Companies Act 2006. The financial statements were authorised for issue by the Board of Directors on March 30, 2022. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

Materials Solutions 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 £. Due to rounding, numbers presented may not add up precisely to totals provided. Materials Solutions Limited is a United Kingdom based company incorporated in England and Wales and is engaged in the manufacture of metal structures and parts of structures.

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 2021. In these financial statements, the term 'Group' refers to all companies for whom the ultimate parent undertaking is Siemens Energy 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 have been prepared on a going concern basis. The company has made an operating loss for the year of £6,148k (2020: £5,038k). The company has a deficit on the profit and loss reserve of £18,326k (2020: £12,873k deficit), and an overall net liability position of £15,839k (2020: £10,386k net liability position).

The Company's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Company has sufficient financial resources to call on from the Group to continue operations for the foreseeable future. In reaching their conclusion the Directors have reviewed the budget for 2022 and the forecast for 2023, and the related cash flow projections.

The directors continue to monitor the ongoing impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business. The current trading is in line with the updated forecasts taking into account the ongoing COVID-19 pandemic.

As part of the sensitivity analysis, management prepared a worst-case scenario forecast to estimate the impact on the results and cash forecast for the period 2022-2023, including order intake and revenue assumptions. This forecast considers the ongoing contracts which are part of the critical infrastructure and are not impacted by COVID-19 circumstances. Although the COVID-19 impact on results are unlikely to be recovered in the 2022 financial year, we do not anticipate the pandemic to have a lasting effect on the financial results beyond the year ending September 30, 2022. No government support schemes are considered as part of this scenario. This worst-case forecast shows an expected shortfall in the cash flow at the end of 12 months period (April 2022 until March 2023). The Group has confirmed that it will continue to support the company to allow it to satisfy its financial obligations in the normal course of business for at least 12 months from signing of these financial statements. This funding is limited to a maximum amount sufficient to cover the forecasted cash shortfall in the worst-case situation. The directors are satisfied that based on the latest Group financial statements, it has sufficient resources and the ability to provide this support, should it be required.

Additionally, Siemens Energy AG operates a cash pooling facility across its worldwide Group. Cash balances generated by entities are passed to Siemens Energy AG and companies can draw down on these facilities if required. Further information on these risks, and their potential impacts, can be found in the 2021 Siemens Energy AG annual report.

For 2021, given the continued parental support and confirmation as explained above 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.

2. Summary of significant accounting policies and critical accounting estimates

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 is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

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.

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

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

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

Other intangible assets — The Company's intangible assets comprises IT software stated at cost less amortisation which is provided in order to write off each asset over its respective estimated useful life to its estimated residual value. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to five years. Amortisation is included within administrative costs.

Property, plant and equipment — Property, plant and equipment, is valued at cost less accumulated depreciation and impairment losses. Depreciation expense is recognised using the straight-line method. The following useful lives are assumed:

Plant and machinery	10-20%
Fixtures and fittings	20%
Motor vehicles	25%
Office equipment	20-33%
Short leasehold improvements	over the term of the lease

Right-of-use assets — Right-of-use assets are depreciated under the straight-line method over the shorter of the lease term and the useful life of the underlying assets. See lease accounting policy for further details.

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

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

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*.

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

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 21.

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. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned to:

Financial assets measured at amortised cost – Loans, receivables and other debt instruments held in a hold-to-collect business model with contractual cash flows that represent solely payments of principal and interest are measured at amortised cost using the effective interest method less valuation allowances for expected credit losses.

Valuation allowances are set up for expected credit losses, representing a forward-looking estimate of future credit losses involving significant judgment. Expected credit loss is the gross carrying amount less collateral, multiplied by the probability of default and a factor reflecting the loss in the event of default. The movement on the valuation allowance is given in note 10. Valuation allowances are not recognised when the gross carrying amount is sufficiently collateralised. Probabilities of default are mainly derived from internal rating grades. A simplified approach is used to assess expected credit losses from trade receivables and contract assets by applying their lifetime expected credit losses.

Financial assets are written off as uncollectible if recovery appears unlikely. Generally, if the limitation period expired, when a debtor's sworn statement of affairs is received, or when the receivable is not pursued due to its minor value. Receivables are written off when bankruptcy proceedings close.

A financial asset is derecognised when the rights to cash flows expire or the financial asset is transferred to another party. Significant modifications of contractual terms of a financial asset measured at amortised cost result in derecognition and recognition of a new financial asset; for insignificant modifications, the carrying amount of the financial asset is adjusted without derecognition.

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

Lease liabilities – Lease liabilities are measured at the present value of the lease payments payable over the lease term, generally discounted using the incremental borrowing rate, unless the rate implicit in the lease can be readily determined.

Pension costs and other post-retirement benefits

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

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

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

Leases

The Company leases properties from other Siemens Energy Group companies. Under IFRS 16, a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

Initial recognition

At the commencement date a lessee recognises a right-of-use asset and a lease liability.

At the commencement date a lessee measures a right-of-use asset at cost. The cost of the right of use asset includes:

- the initial measurement of the lease liability measured at the present value of the lease payments payable over the lease term, discounted at the implicit rate in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee will use their incremental borrowing rate.
- the lease payments made before or after commencement, less the lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of the costs incurred by the lessee upon disassembling and eliminating the underlying asset, restoring the place where it was located or restoring the underlying asset to the condition required by the terms of the lease.

Subsequent measurement of the right-of-use asset

After the commencement date, the Company measures its right-of-use asset using a cost model and depreciation is recognised on a straight-line basis over the lease period. Adjustments are made to the carrying value of the right-of-use asset where the lease liability is re-measured, as stated in the below. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in Impairment of property, plant and equipment and other intangible assets.

Subsequent measurement of the lease liability

After the commencement date, the Company measures a lease liability:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- measuring the carrying amount again to reflect the new measurements or changes in the lease and to reflect the in-substance fixed lease payments that have been reviewed.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

New and amended standards effective for the year ended September 30, 2021:

The Company has adopted the new accounting pronouncements which have become effective this fiscal year, and are as follows:

Definition of a Business - Amendments to IFRS 3

The IASB issued amendments, effective for annual periods beginning on or after January 1, 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 is effective from October 1, 2020, however the Company is not affected by these amendments on transition.

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 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 is effective from October 1, 2020, however the Company is not materially impacted by these amendments on transition.

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This is effective from October 1, 2020, however the Company is not impacted by these amendments on transition.

The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. For preparers who develop accounting policies based on the Conceptual Framework, it is effective from October 1, 2020.

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, 2021, and have not been applied in preparing these financial statements. Those standards that have relevance to the Company are mentioned below:

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, amendments were issued to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

These amendments will be effective for annual reporting period beginning on or after January 1, 2022 (October 1, 2022).

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)****3. Revenue**

The company's turnover is analysed as follows:

Turnover analysed by class of business	2021	2020
Sale of goods	6,971	4,567
Sale of services	164	702
Total revenue	7,135	5,269
Turnover analysed by geographical market		
United Kingdom	3,324	1,719
Overseas	3,811	3,550
Total revenue	7,135	5,269

Customers with sales over 10% revenue

During the year there were three customers (2020: three) which represents more than 10% of revenue. The total revenue from these customers in the year was £6,023k (2020: £4,105k) which represents 84% of revenue (2020: 78%).

Segmental information for the Siemens Energy Group is presented in the consolidated financial statements of the ultimate parent company, Siemens Energy AG.

4. Other operating expenses

	Year ended September 30,	
	2021	2020
Other expenses	210	-
	210	-

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)****5. Operating loss from continuing operations has been arrived at after charging / (crediting):**

	Year ended September 30,	
	2021	2020
Net foreign exchange losses	73	22
Research and development costs	1,735	1,396
Depreciation of property, plant and equipment	3,182	2,570
Staff costs (see note 6)	2,967	2,430
Amortisation of intangible fixed assets (see note 13)	7	7
Cost of inventories recognised as an expense	2,258	1,298
Group Salary recharges	604	501
Sub contract labour	1,160	720
Computer running costs	578	418
Dilapidation costs	-	38
Auditors remuneration	30	29
Other costs	689	878
	<u>13,283</u>	<u>10,307</u>

There are £nil amounts payable to Ernst & Young LLP in 2021 and 2020 for non - audit services.

6. Staff numbers and costs

	Year ended September 30,	
	2021	2020
Wages and salaries	2,548	2,042
Social security costs	240	225
Expenses relating to pension plans and employee benefits	179	163
	<u>2,967</u>	<u>2,430</u>

The average number of employees (including executive directors) during 2021 and 2020 was 58 and 48, respectively (based on continuing operations). Part-time employees are included on a proportionate basis rather than being counted as full units. The employees were engaged in the following activities:

	Year ended September 30,	
	2021	2020
	Number	Number
Administrative	3	3
Sales	3	3
Operations	52	42
	<u>58</u>	<u>48</u>

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)****7. Directors' emoluments**

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

	Year ended September 30,	
	2021	2020
Emoluments	788	556
Company Contributions to money purchase pension scheme	14	14
	802	570

The directors of the Company are also directors and employees of fellow Group companies. All of the Company's directors are remunerated by Siemens Energy Group companies in the UK and abroad. The directors do not believe it is practicable to apportion their qualifying services between their services as directors of the Company and their services as directors or employees of fellow Group companies.

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £616k (2020: £401k). 1 director (2020: 1) is a member of a defined benefit scheme at the year end. None of the directors are members of Company's defined benefit scheme. 1 (2020: 1) of the director have qualifying services shares receivable from a long term incentive scheme.

8. Interest income and interest expense

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

	Year ended September 30,	
	2021	2020
Interest income	-	6
Interest income, net	-	6
Interest expense	(343)	(239)
Interest expense, net	(343)	(233)

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)****9. Taxes**

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

	Year ended September 30,	
	2021	2020
Current tax:		
UK corporation tax	(1,170)	(988)
Adjustment in respect of prior years - other	137	87
Total current tax:	(1,033)	(901)
Deferred tax:		
Origination and reversal of temporary differences - current year	(20)	5
Deferred tax rate change adjustment	15	47
Tax (credit) / expense for the year	(5)	52
Income tax credit in the Statement of Income is disclosed as follows:	(1,038)	(849)

Of the deferred tax credit in 2021 and the deferred tax expense in 2020, £5k and £52k, respectively, relate to the origination and reversal of temporary differences.

For the years ended September 30, 2021 and 2020, the Company was subject to UK corporation tax at a rate of 19%. The total tax expense or credit differs from the amounts computed by applying the statutory UK tax rate as follows:

	Year ended September 30,	
	2021	2020
Net loss before tax (continuing operations)	6,491	(5,271)
Tax at 19% (2020: 19%)	(1,233)	(1,001)
Increase in income taxes resulting from:		
Non-deductible losses and expenses	43	18
Adjustments to charge re prior years	152	87
Amounts relating to differential tax rates	-	47
Total income tax credit for the year	(1,038)	(849)

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 2021 included an increase in the corporate tax rate to 25% (effective from 1 April 2023). This superseded the proposed reduction in the corporation tax rate to 17% (which was due to come into effect from April 2020). 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.

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

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

	September 30,	
	2021	2020
Assets:		
Liabilities	5	5
	<hr/>	<hr/>
Deferred tax assets	5	5
	<hr/>	<hr/>
Other intangible assets	(10)	(2)
Property, plant and equipment	(439)	(452)
	<hr/>	<hr/>
Deferred tax liabilities	(449)	(454)
	<hr/>	<hr/>
Total net Deferred tax liabilities	(444)	(449)
	<hr/>	<hr/>

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.

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

	2021	2020
Deferred tax liabilities balance as at October 1	(449)	(397)
Income tax presented in the Statement of income	5	(52)
	<hr/>	<hr/>
Deferred tax liabilities balance as at September 30	(444)	(449)
	<hr/>	<hr/>

At 30 September 2021 and 2020 the company has not recognised a deferred tax asset in respect of the following items (gross amounts):

	2021	2020
Tax loss and credit carry forwards	-	874

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)****10. Trade and other receivables**

	2021	September 30, 2020
Trade receivables from the sale of goods and services	1,487	619
Receivables from Group companies	2,500	2,887
	3,987	3,506

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

	2021	2020
	Gross	Gross
Current	714	365
30 days overdue	737	153
31 - 60 days overdue	16	36
> 60 days overdue	20	65
	1,487	619

The directors consider the carrying amount of trade and other receivables approximates to their fair value. No valuation allowance or provision for bad debts has been recognised in the year (2020: nil).

11. Other current assets

	2021	September 30, 2020
Other tax receivables	446	226
Prepaid expenses	920	60
Other	41	102
	1,407	388

12. Inventories

	2021	September 30, 2020
Raw materials and supplies	1,574	1,172
Work in progress	705	569
	2,279	1,741

Cost of sales include inventories recognised as an expense amounting to £2,258k (2020: £1,298k), respectively, in fiscal year 2021 and 2020.

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

13. Intangible assets

	IT Software
Cost	
At October 1, 2019	96
Additions	7
At September 30, 2020	<u>103</u>
At October 1, 2020	103
Additions	46
At September 30, 2021	<u>149</u>
Amortisation	
At October 1, 2019	83
Charge for the year	7
At September 30, 2020	<u>90</u>
At October 1, 2020	90
Charge for the year	7
At September 30, 2021	<u>97</u>
Net book value	
At October 1, 2019	13
At September 30, 2020 and October 1, 2020	13
At September 30, 2021	52

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

14. Property, plant and equipment

	Land & buildings	Technical machinery & equipment	Total property, plant & equipment
Cost			
At 1 October 2019	2,260	14,386	16,646
Additions	5,029	1,427	6,456
Disposals	(2,260)	-	(2,260)
At September 30, 2020	<u>5,029</u>	<u>15,813</u>	<u>20,842</u>
At October 1, 2020	5,029	15,813	20,842
Additions	86	1,698	1,784
Disposals	(97)	(52)	(149)
At September 30, 2021	<u>5,018</u>	<u>17,459</u>	<u>22,477</u>
Accumulated depreciation and impairment			
At 1 October 2019	-	3,843	3,843
Charge for the year	473	2,097	2,570
Disposals	(140)	-	(140)
At September 30, 2020	<u>333</u>	<u>5,940</u>	<u>6,273</u>
At October 1, 2020	333	5,940	6,273
Charge for the year	680	2,502	3,182
Disposals	-	(22)	(22)
At September 30, 2021	<u>1,013</u>	<u>8,420</u>	<u>9,433</u>
Net book value			
At 1 October 2019	2,260	10,543	12,803
At September 30, 2020 and October 1, 2020	4,696	9,873	14,569
At September 30, 2021	4,005	9,039	13,044

MATERIALS SOLUTIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

Included in the above property, plant and equipment are the below right of use assets.

	Land & buildings	Technical machinery & equipment	Total property, plant & equipment
Cost			
At October 1, 2019	2,260	4,038	6,298
Additions	5,029	974	6,003
Disposals due to lease reassessment/modifications	(2,260)	-	(2,260)
At September 30, 2020	<u>5,029</u>	<u>5,012</u>	<u>10,041</u>
At October 1, 2020	5,029	5,012	10,041
Additions	86	910	996
Disposals due to lease reassessment/modifications	(97)	(30)	(127)
At September 30, 2021	<u>5,018</u>	<u>5,892</u>	<u>10,910</u>
Accumulated depreciation and impairment			
At October 1, 2019	-	-	-
Charge for the year	473	1,142	1,615
Disposals due to lease reassessment/modifications	(140)	-	(140)
At September 30, 2020	<u>333</u>	<u>1,142</u>	<u>1,475</u>
At October 1, 2020	333	1,142	1,475
Charge for the year	680	1,296	1,976
At September 30, 2021	<u>1,013</u>	<u>2,438</u>	<u>3,451</u>
Net book value			
At October 1, 2019	2,260	4,038	6,298
At September 30, 2020	4,696	3,870	8,566
At September 30, 2021	4,005	3,454	7,459

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

15. Trade and other payables

	2021	September 30, 2020
Trade payables	1,235	617
Amounts due to Group companies	26,807	20,572
	<u>28,042</u>	<u>21,189</u>

16. Other current liabilities

	2021	September 30, 2020
Other employee related costs	151	82
Other accrued liabilities	482	422
	<u>633</u>	<u>504</u>

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

17. Other non-current liabilities

	2021	September 30, 2020
Other liabilities	25	17
	<u>25</u>	<u>17</u>

Other liabilities £25k (2020: £17k) relates to long term service awards.

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

18. Lease liabilities

	September 30,	
	2021	2020
Lease Liabilities < 1 year	<u>1,967</u>	<u>1,907</u>
	<u>1,967</u>	<u>1,907</u>
Lease Liabilities > 1 year	<u>5,497</u>	<u>6,537</u>
	<u>5,497</u>	<u>6,537</u>

Lease liabilities relates to right of use assets of property plant and equipment (land and buildings and technical machinery and equipment in note 14) under IFRS16.

Maturity analysis – contractual undiscounted cash flows

Lease liability due within

	2021
One year	2,080
Two to five years	5,075
Six years and above	631

19. Share capital

Allotted, called up and fully paid:

	September 30,	
	2021	2020
	£	£
3 (2020: 3) Ordinary Shares of £1 each	3	3

20. Commitments and contingencies

Under IFRS16, the Company has committed to lease technical machinery and equipment of £2,500k (2020: £nil) at the year end.

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

21. 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:

	2021	September 30, 2020
Financial assets		
Loans and receivables	3,987	3,506
	<hr/>	<hr/>
	3,987	3,506
	<hr/>	<hr/>
Financial liabilities		
Financial liabilities measured at amortised cost	35,506	29,633
	<hr/>	<hr/>
	35,506	29,633
	<hr/>	<hr/>

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

Fixed-rate and variable-rate receivables are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As of September 30, 2021 and 2020, the carrying amounts of such receivables, net of allowances, approximate their fair values.

Fair value hierarchy

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

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

All of the Company's derivative financial instruments as at September 30, 2021 and 2020 are categorised as level 2.

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

The Company manages and controls its financial risks in accordance with the Siemens Energy Group policies.

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 Energy 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 £3K in 2021 (2020: £19k).

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

Credit risk

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

Concerning trade receivables and other receivables, as well as other receivables included in *Other financial assets* that are neither impaired nor past due, there were no indications as of September 30, 2021, that defaults in payment obligations will occur.

The Company is not exposed to credit risk in connection with its receivables from other Group companies.

Market risk

Increasing market fluctuations may result in significant earnings and cash flow and profit volatility risk for the Company. Its UK and worldwide operating business as well as its investment and financing activities are affected by changes in foreign exchange rates and interest rates. To optimise the allocation of the financial resources across the Company, as well as to secure an optimal return for its shareholder, the Company identifies and proactively manages the associated financial market risks.

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

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

Equity price risk

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

Foreign currency exchange rate risk

Transaction risk and currency management

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

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

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

The Group has established a foreign exchange risk management system, further details are disclosed under the financial risk management note in the 2021 Group annual report. 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.

Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt or paying its suppliers. The Company uses Siemens Energy Group's cash pooling and cash management systems. The Company mitigates liquidity risk by the implementation of effective working capital and cash management.

Amounts payable to Energy Group companies are repayable on demand, but historically other Group companies have not demanded repayment of these intercompany balances.

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)**

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

	2021	2022 and thereafter
Non derivative financial liabilities	30,122	5,706
Leases obligations	2,080	5,706
Trade payables	28,042	-

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2021 and 2020.

The Company has £26,807k (2020: £20,572k) amounts due to Group companies included in trade payables.

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

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Siemens Energy 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 as stated on the Statement of Financial Position. The amounts receivable and due to Group companies reported below are held with Siemens Energy AG in the Group cash pooling facility. For further information, refer to the *Statement of Cash Flows*.

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

	2021	September 30, 2020
Receivables from Group companies	2,500	2,887
Total liquidity	2,500	2,887
Amounts due to Group companies	(26,807)	(20,572)
Lease Liabilities < 1 year	(1,967)	(1,907)
Lease Liabilities > 1 year	(5,497)	(6,537)
Total debt	(34,271)	(29,016)
Net debt	(31,771)	(26,129)

Capital Management

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

The current ratio for 2021 was (0.25) (2020: (0.24)). The Company also has access to Siemens Energy AG cash pooling arrangement when necessary.

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

22. Related party transactions

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

From the effective date of the spin-off, Siemens AG and its Group entities are reported as an associate of the Company. There are various relationships between Siemens AG and Siemens Energy Group entities in the ordinary course of business, such as sales or purchases of goods and services, leases and transfers under licence agreements.

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

	Sale of goods		Purchase of goods and services		Interest expense (net)	
	Year ended 2021	Year ended 2020	Year ended 2021	Year ended 2020	Year ended 2021	Year ended 2020
Amounts due to associate	4	4	(2,032)	(2,998)	(48)	(43)
Amounts due to ultimate parent	3,203	2,468	(935)	(562)	(209)	(161)
Amounts due to fellow subsidiaries	663	750	(2,874)	(1,724)	(86)	(29)
	<u>3,870</u>	<u>3,222</u>	<u>(5,841)</u>	<u>(5,284)</u>	<u>(343)</u>	<u>(233)</u>

Amounts owed by / (to) related parties

	Year ended 2021	Year ended 2020
Amounts due to immediate parent	(26,807)	(20,572)
Amounts due from fellow subsidiaries	2,500	2,887
	<u>(24,307)</u>	<u>(17,685)</u>

23. 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, 2021	Year ended 2020
Short-term employee benefits	1,677	1,275
Post-employment benefits	72	89
	<u>1,749</u>	<u>1,364</u>

The directors of the Company are also directors and employees of fellow subsidiaries. All the Company's directors are remunerated by Siemens Energy Group Companies. The directors do not believe it is practicable to apportion their qualifying services between their services as directors of the Company and their services as directors or employees of fellow subsidiary Companies.

The above disclosure includes remuneration of the directors and other key management personnel.

24. Directors' transactions

No such transactions occurred in 2021 or 2020 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the directors (or other key management personnel).

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (in thousands of £)

25. Subsequent events

There were no significant events after the reporting period.

The Directors have reviewed the conflict in Ukraine and have concluded there are no adjustments to make to the accounts.

26. Ultimate parent undertaking

The ultimate parent undertaking is Siemens Energy AG, incorporated in Germany. Siemens Energy 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:

<https://www.siemens-energy.com/global/en/company/investor-relations/publications-ad-hoc.html#QuarterlyandAnnualResults>

or obtained from:

Siemens Energy AG
Otto-Hahn Ring 6
D-81739 Munich
Germany

The immediate parent undertaking is Siemens Gas and Power Holding B.V., a company incorporated in Netherlands.