SIEMENS ENERGY LIMITED
Annual report and financial statements
Registered number 00631825
September 30, 2022

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SIEMENS ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

COMPANY INFORMATION

Directors	S Scrimshaw M Gray P O'Brien
Company secretary	P O'Brien
Registered number	00631825
Registered office	C A Parsons Works, Shields Road, Newcastle upon Tyne NE6 2YL United Kingdom
Independent auditor	Ernst & Young LLP 1 Bridgewater Place, Water Lane Leeds LS11 5QR United Kingdom

SIEMENS ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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SIEMENS ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

The directors of Siemens Energy Limited (the "Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2022. In these financial statements, the terms "Siemens Energy" and "Group" refer to Siemens Energy AG and its Group companies.

On January 5, 2022, the Company changed its registered office address from Faraday House, Sir William Siemens Square, Frimley, Surrey GU16 8QD to C A Parsons Works, Shields Road, Newcastle upon Tyne, NE6 2YL.

STRATEGIC REPORT

Principal activities

Siemens Energy Limited offers a wide range of products, systems, solutions, and services in the fields of power transmission, central and distributed power generation, as well as industrial applications for the oil and gas industry and for industrial process applications.

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 UK-EU Trade and Cooperation Agreement treaty 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, 2022.

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 have reviewed the Ukraine-Russia war situation and have not noted any risk or business impact to date but continue to monitor the potential risks for inflationary cost increases and supply chain challenges.

The directors are closely monitoring the evolving strategic and policy landscape in support of achieving net zero in the United Kingdom ("UK") by 2050 and the outcomes from the 27th UN Climate Change Conference of the Parties ("COP27"). The Company is involved in a wide range of activities to support its customers in their energy transition journey, and this is helping to shape the Company's response to the market.

The Group announced its new operating model - Versatile Organisation to Lead Transformation ("VOLT") during the year. With VOLT, the Group wants to ensure a joint go-to market approach, improve the way we work together and provide more transparency to our customers, partners and the financial market. The Group have set the course for its new organisational structure which will become effective in the next financial year.

Review of Statement of Income

The Company made a net income in the financial year, net of taxation of £12m (2021: net loss of £15m). The Company's profitability level improved in the current year due to a higher margin on the portfolio mix sold, compared to prior year. The service business typically has higher margins than the product, systems and solutions businesses. The business performance in 2022 is in line with the directors' expectations, and they believe the result for the year reflects an improved trading performance of the Company, despite an uncertainty in the current economic and global environment.

In the current year, the volume and structure of sales were significantly lower compared to prior year. Revenue declined by 13% year-on-year, primarily due to the completion of larger projects in the previous year, a lower order backlog at the start of the current year and the new projects being in their initial stages, where the revenue could not yet be recognised under the percentage of completion method. Change in the cost of sales generally follows the development of sales trend.

Review of Statement of Financial Position

The Company's net assets position increased from £112m in the prior year to £126m in the current year, due to the improvement in the business performance. However, it remained in the net current liabilities position of £160m at the year-end (2021: £29m), for which the movement is primarily due to the long-term debt in the prior year, which is now accounted as a short-term debt in the current year, being payable in less than one year.

The Statement of financial position has total assets amounting to £647m (2021: £546m) and total liabilities amounting to £521m (2021: £434m). The balance sheet movement reflects the operational movements of the year.

Total assets increased by £101m in the current year, largely due to increase in receivables from group companies under cash pooling (+£88m) and trade receivables (+£57m); offset by a reduction in contract assets balances (-£55m) related to some multi-year customer projects realised in the current year.

Total liabilities increased by £87m in the current year, primarily due to an increase in contract liabilities (+76m), related to some multi-year customer projects expected to be realised in the next one to two years.

Equity increased by £14m in the current year, mainly due to an increase in the profitability of the business.

Review – Statement of Cash Flows

Cash flows from operating activities show an inflow of £90m in the current year, compared to an outflow of (£21m) in the prior year. The inflow was mainly due to increased cash inflows from changes in working capital and improvement in the Company's profitability in the year. Cash outflows from investing activities of (£895k) during the year (2021: inflow of £7m) is primarily due to cash paid to acquire property, plant and equipment and intangible assets; offset by cash received from the other Group companies in regard to finance lease repayments. Cash outflows from financing activities of (£89m) (2021: inflow of £5m) is due to changes in intercompany financing activities (primarily cash deposit with the Group, under cash pooling facility) and repayment of lease liabilities. Overall, the Company has a positive net cash inflow of £3k (2021: negative net cash outflow of £9m) in the year.

Analysis of Financial Key Performance Indicators

The Company measures its performance on a number of key performance indicators, as noted below:

Key Performance Indicators	**2022**	2021
	£'000	£'000
Turnover	**465,091**	535,461
Operating profit/(loss) for the financial year	**15,666**	(8,350)
Profit/(loss) for the financial year	**11,507**	(15,048)
New orders received	**1,073,000**	336,000
Total new order backlog	**1,520,000**	916,000

The Company has high volume projects and has multi-year customer orders, especially in the solutions and service businesses. While orders for large projects may lead to volatility in order intake from one reporting period to the next, revenue is generally less affected by such volatility. Large projects typically have longer development and construction phases, this coupled with often long-term service contracts leads to steady revenue recognition over several reporting periods. Hence, the Company's order backlog gives high level of visibility of future revenues.

The Company's profitability level differs substantially among the portfolio elements. Therefore, during any given period, the results of operations are affected by the portfolio mix sold in each segment. The service business typically has higher margins than the product and solutions businesses. The results of operations and margins therefore depend on the Company's ability to generate revenue from servicing the large installed fleet as it becomes subject to wear and tear. The Company aims to maintain and expand the long lifespan of the large installed fleet to secure orders for service contracts, primarily focusing on long-term service programs. Therefore, the Company sees service as a major pillar of Siemens Energy's sustainable business success, which the management seek to enlarge and leverage even more in the future.

Principal risks and uncertainties

The directors undertake regular assessments of the key risks impacting the Company. As part of the Group's Enterprise Risk Management process ("ERM"), 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. The process aims for early identification, evaluation, and response to risks and opportunities that could materially affect the achievement of our strategic, operational, financial, and compliance objectives across the entire organisation. It is not the ultimate purpose of ERM to avoid or eliminate business risks, but to support entrepreneurial decision-making by finding the right balance of managing risks and pursuing opportunities. The key areas identified, and the related controls are as follows:

- Credit risk: the level of receivables and amounts overdue is monitored closely. In some areas specific measures are in place to reduce the credit risk.

- Performance risks under long term fixed price contracts: formal project assessment procedures and regular project status meetings with the divisions and project managers.

- Liquidity risk: In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses intercompany loan account (Group cash pooling facility). Further details regarding liquidity risk can be found in the accounting policies in note 2 to the financial statements.

- Economic risk: The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The Company has remained vigilant over the warning signs exhibited in the global economy and uncertainty in the UK 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 considering the effects of Britain's recent exit ("Brexit") from the European Union ("EU"). Whilst no financial statement impact to date, the agreed UK-EU Trade and Cooperation Agreement treaty terms remain a risk which is being closely managed. Equally, the directors have reviewed the Ukraine-Russia conflict and have not noted any financial statement impact to date but continue to monitor the potential for inflationary cost increases and supply chain challenges.

- COVID-19: The spread of the COVID-19 outbreak has caused severe disruptions in the UK and global economy and financial markets and has caused a great deal of uncertainty for people, businesses and communities. The Company is continuously monitoring the impact of COVID-19 on our business and is adapting its business practices to ensure compliance with Government guidelines within the UK. In this dynamic and fast-changing environment our top priority remains the health and safety of our employees and customers.

A large proportion of the Company's workforce can work from home and they continue to do so. The flexibility shown by our employees, in addition to enhancements in our remote working IT infrastructure, have allowed us to successfully maintain business continuity while also enabling essential front-line work to continue. We regularly assess the suitability of ongoing homeworking for all staff members, to provide additional support where needed.

We have not seen any material impact on our financial results and cashflows resulting from COVID-19. We have considered the risks in relation to our supply chain, customer orders and order fulfilment, and do not expect any significant impact on our business resulting from COVID-19 or other geo-political challenges over the next 12 months.

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.

Employees

Striving to be an employer of choice, Siemens Energy places value on creating a culture of learning, promoting diversity and fostering equality

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 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's 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 'Speak Up' 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 authentic 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

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

Engagement	Key topics, decisions and outcomes influenced by this stakeholder group
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. In the Energy sector, Siemens Energy has long term relationships with all the major utilities, industrial customers and Special Purpose Vehicles (SPVs). We engage with our customers through a number of contractual models for products, systems and EPC construction contracts for major infrastructure projects and service contracts supporting the installed assets over its lifetime.
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.	We continue to extend our supply chain finance solution in order to facilitate the sale of receivables under attractive conditions to support suppliers to optimise their cashflow and working capital. In the last financial year, 29% of our purchase volume has been paid via the Supply Chain Finance programme. In addition, we have increased the % of invoices paid within 30 days.

We are committed to increasing spend with the Social Enterprises through the Buy Social Corporate Challenge. The Social Value impact of everyday spend is monitored and measured through the annual Social Value Portal report which is communicated to the Extended Board.	Social Enterprise purchase volume for 2022 has increased by 100% when compared with 2021. This is a result of continuing to promote existing opportunities and the introduction of new suppliers for example: 1) Office supplies are now purchased via a supplier who creates social impact through UK initiatives in education, employability and mental health plus global initiatives to support enterprise, education and health in developing countries while supporting environment through net zero targets and inspiring the next generation through education. The purchase volume with this supplier has positively impacted 180 lives. 2) Introduction of a sign supplier who supports ex-service people who are finding it difficult to find employment.
Decarbonisation is a key strategic theme for Siemens Energy. A Decarbonisation Steering Committee was formed to review progress, the committee meets quarterly and is comprised of workstream leads, selected members of the management team and some Board members, including the Vice President. Updates are provided by the workstream leads and feedback provided on achievements, issues and future actions.	In the last year, a carbon web assessment has been developed which applies an accepted methodology and external database data to estimate supplier carbon emission. In 2022 this was supported by a questionnaire which targeted supplier with high emissions, with the aim of gaining more insight into their existing and future approach to carbon emission reduction. This data will be used to engage suppliers in local workshops aimed at sharing our knowledge and advice to support suppliers in reducing their emissions. This will form part of Siemens Energy global approach which has set a target to reduce CO2 emissions by 30% by 2030.
We continue to promote the real living wage with our suppliers to enhance people's lives which has been shown to improve supply chain performance.	On specific customer projects we work with suppliers to ensure all their directly employed people and people employed at their sub-contractors are paid the real living wage. We are in the process of developing an action plan which will cover our full supply chain on adherence to the real living wage and allow our organisation to become accredited by the Living Wage Foundation.
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.	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.
As a result of the ongoing geo-political issues globally, we are working with our key suppliers to assess the risks this poses to their business operations and what support we can offer.	A supply chain resilience tracker has been established which tracks the risks for our key suppliers and outlines the mitigation actions between the supplier and Siemens Energy.
We have committed to improving Social Value in the supply chain through annual assessment with the Social Value Portal on several "Themes, Outcomes and Measures" (TOMs) relating to supply chain. The first report on Social Value measures covering financial year (FY) 2021/2022 has been presented to the Extended Board. Supply Chain measures are included as part of Social Value measures and would be included as an ongoing target for the Board.	We are committed to social value and ethical procurement using the TOMS framework, through the Social Value Portal. We have completed a pilot within our Grid Technologies business area and are in the process of rolling this out to cover all of our business areas. Some of the measures agreed are: - Identification and classification of suppliers as Micro, Small or Medium Enterprises (MSME). - Annual report on MSME spend. - Development of an annual report for Local Spend. - Measure of supply chain contracts with a commitment to ethical procurement including modern slavery. - Measure of supply chain audits undertaken which identify and manage the risk of modern slavery. - Measuring participation in Meet the Buyer Events to promote local supply chain opportunities.
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 areas which ensures a standard global framework is in operation on how we engage and manage suppliers at Siemens Energy.

We engage suppliers about our sustainability standards and principles through our Code of Conduct which they agree to follow and implement within their own supply chains.

Communities and Environment

Siemens Energy is committed to its purpose 'we energise society' which is supported by its 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. Societal Engagement is grouped into three key themes: 1) Energy Transformation 2) Access to education 3) Sustaining communities We have established a Societal Engagement programme to deliver social value which is led by the Head of 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 Programme outcomes for FY22** **1) Energy transformation** Siemens Energy have partnered with National Energy Action (NEA), a national charity working to end fuel poverty in England, Wales and Northern Ireland. In 2022 we have supported two projects: - Funding for Bitesize training, developed for smart phones to identify homeowners who might be in a vulnerable situation in relation to their energy use and supply. Using Ofgem's Vulnerability Strategy as a starting point, the guidance helps with recognising situations indicating that additional support is needed and signposts to external organisations for assistance. - NEA is committed to provision of training courses that are inclusive and benefit learners with different disabilities, for example the visually impaired or dyslexic. Siemens Energy is funding the development and an audio version of the Energy Awareness Course as the first step in this process. **2) Access to education** The Work Experience Programme has been developed with a portfolio of bitesize resources reflecting the sustainable challenges faced by our business. The modules give students real life insight, exploring the world of Siemens Energy, Science, Technology, Engineering and Maths (STEM) careers, whilst helping students to develop key core skills such as listening, reading, observing, analysis, team working, researching, and problem solving. Virtual work experience programmes delivered in 2022 were attended by over 700 students from across the UK with a focus on engaging with students from deprived areas. A Virtual Work Experience website has been launched with free resources available to download. To support inclusion and diversity in education, a Panel and Hackathon event were delivered in partnership with Stemettes, an award-winning social enterprise working young non-binary people into STEM. STEM activities supported: Primary Engineer competition, STEMFest Net Zero in Newcastle, Furness STEM show in Cumbria, work experiences sessions hosted at local sites and STEM visits to schools.

We are committed to following the United Nations Sustainable Development Goals which are a social value charter for the planet.

3) Sustaining Communities

Our Societal Engagement Community have been delivered fundraising and community programmes across our sites and projects in the UK. The volunteering activities and donations are recorded in our Social Value portal. Key projects for FY22 have included:

- Fundraising for MIND to support the mental health charity and mental health campaigns.
- Support for the Wildlife Trusts with over 8% of employees volunteering for 'Wild Workdays' in 2022.
- Fundraising for local charities nominated by each Siemens Energy site has raised over £144K in FY22.

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

Siemens Energy created over £2.5 million of social value in FY22 using National TOMS framework supported by the Social Value Portal. This was a significant increase in Social Value generation from FY21 as volunteering and schools' engagement opportunities have become more available post-Covid.

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

A full update of Siemens Energy Social Value delivered from our UK Societal Engagement programme has been published on our UK website.

In August 2022, our UK colleagues, with their friends and family, made a powerful statement of Inclusion & Diversity – standing out as an ally to our Pride Community in the heart of Lincoln City by participating in the 'Lincoln Pride UK Parade'. At the event, they talked to the visitors of all ages about allyship and Inclusion and Diversity at Siemens Energy - creating a fabulous piece of community art in the process.

Decarbonisation Programme (UK)

Siemens Energy is dedicated to delivering our customers innovative solutions that drive their energy transformation and support the decarbonisation of the energy sector. At the same time, we are consistently pursuing climate neutrality in our own operations and intend to be climate neutral by 2030. The three pillars of Decarbonisation in Siemens Energy are:

- Decarbonise our product and service portfolio
- Climate neutrality in our own operations by 2030
- Emission reductions throughout our supply chain

In the UK, we follow the Siemens Energy global approach, looking in more detail at the risks and opportunities for decarbonisation in our UK based businesses. The Decarbonisation Steering Committee oversees workstreams for delivering Decarbonisation targets.

The Decarbonisation programme is reviewed annually to consider significant events, risks and opportunities that impact targets.

The programme has been communicated to internal and external stakeholders.

Decarbonisation Programme (UK) outcomes

Siemens Energy carbon and energy performance for FY22 is reported in the Streamlined Energy and Carbon (SECR) report, for the legal entities that meet the required reporting thresholds.

A full update of Siemens Energy performance against UK Decarbonisation targets in support of the Climate Neutral Programme for own operations has been published on our UK website.

UK Targets (Scope 1 & 2)

1. Reduction in absolute carbon emissions (CO2e) by 5% year-on-year
2. Annual energy performance targets for all Siemens
3. Energy manufacturing sites and offices
4. Replace natural gas used for heating on manufacturing sites and offices by 2030

Carbon Trust Assurance Limited (CTA) was commissioned by Siemens Energy in FY22 to provide an independent, limited level of assurance on the following selected Information:

- Scope 1 emissions
- Scope 2 (location-based) emissions
- Scope 2 (market-based) emissions
- Scope 3 emissions from Business Travel

5. Reduction of carbon emissions from testing gas turbines by 5% year-on-year (normalised against test demand)
6. Transition Siemens Energy vehicle fleet to be 100% low emission vehicles by 2025

In the UK, the baseline for our carbon footprint is Business Year 2021 (October 2020 – September 2021) as our first full year operating as Siemens Energy. Verification of the carbon footprint will allow reporting on progress against targets from our baseline year.

UK Targets (Scope 3)

7. Engage our supply chain to understand monitoring of scope 1, 2 and 3 emissions and develop improvement plans (3-year plan)
8. As part of the 'Better Together' programme, agree employee guidelines for Business Travel post-covid with the aim of not returning to pre-Covid carbon emissions.

FY22 is the first year that Siemens Energy has reported Climate Related Financial Disclosures following the introduction of new legislation in April 2022. The new legislation implements the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) framework. Disclosures of material climate-related financial information can help support investment decisions as we move towards a low-carbon economy.

Siemens Energy key manufacturing sites in Newcastle and Lincoln are certified to ISO 5001:2018 for energy management. The manufacturing sites at Ulverston and the Grid Technology project business based in Manchester will be joining the certificate in FY23/24.

A UK Energy Forum co-ordinated energy performance targets for all sites in support of our Decarbonisation targets.

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.

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 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.

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

In FY22, Siemens Energy organised a virtual interactive training programme 'Search Inside Yourself' for its employees worldwide, to create an inspiring work environment in which we can all be successful and evolve both personally and professionally.

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

Below this sits a set of 6 EHS behaviours that are mandatory for all employees to follow concerning risk assessment, incident reporting, stopping work if it is unsafe, driving, health and environment. All employees in FY22 have been encouraged to measure themselves against these with the Zero Harm Behaviours tool which are part of all employee end of year reviews. The Company has invested considerable resource this FY and next FY in bespoke training for frontline employees on Safety Leadership with the THRIVE program using actors in immersive and realistic training, giving employees the confidence to say stop and to challenge when something is unsafe.

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.

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.

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

The principles for Environmental protection:

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

The three focus topics for Environmental Protection:

- Decarbonisation
- Product Stewardship
- Conservation of Resources

Compliance with environmental regulations is manged through local management systems certified to the International Standard ISO 14001:2015. An annual compliance review is conducted for all business supported by internal audits.

All our businesses comply with the requirements of and ISO 50001:2018 for Energy Management and set annual targets for energy performance improvement.

Siemens Energy have established clear objectives for waste management with commitment to moving up the Waste Hierarchy, maintaining zero waste (indirect) to landfill and improving waste segregation and recycling at all Siemens Energy locations (office, production and project sites).

In financial year 2023, Siemens Energy will review the Waste management programme to include targets for Circular Economy and Resource management.

- In FY23 preparations will be made for compliance with the extended producer responsibility (EPR) for packaging coming into force from 2024.
- A Producer Responsibility (Packaging Waste), WEEE and Battery Training Workshop held for all Siemens Energy UK businesses in May 2022.
- An audit of WEEE and Battery compliance was conducted by our Compliance Scheme in August 2022 with non-conformances identified.
- In FY22 Siemens Energy input into the DEFRA consultation group on changes to the F-gas regulations.

- In support of Siemens Energy Climate Neutral Programme, from FY23 all locations, including leased sites will procure 100% renewable energy.

- Duty of Care Audit conducted with waste provider with focus on sub-contractor management, modern slavery, and compliance issues.

- Focus on minimising the environmental impact of our project and civils work, promoting circularity, and reducing embedded carbon.

Government, Regulators and Trade Associations

Continuous dialogue with policy-makers is extremely important for the success of a global company like Siemens Energy

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, de-carbonisation 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. Energy cost and energy security have moved up the political agenda in many countries, including the UK. The change in Prime Minister creates uncertainty over direction of energy policy at a time when the industry was gearing up to deliver significant energy infrastructure changes required for net zero. We have started thought leadership on the supply chain required for a net zero electricity system with our report "A National Endeavour - Delivering the supply chain for a net zero GB electricity system by 2035", which was launched at a parliamentary reception on September 6, 2022. Other active topics this year include, decarbonisation readiness of new power generation, re-regulation post Brexit, e.g., UKCA marking requirements for spares, exports, e.g., removal of export credit and other support for export of fossil fuelled equipment, and inward investment.
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.	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 supply chain and developing hydrogen policy in the UK, including the Green Jobs Taskforce, 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. 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 and deploys and monitors 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, the Company published a UK tax strategy last year, available on our Company 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
Siemens Energy announced its new operating model VOLT (Versatile Organisation to Lead Transformation) during the year.	With VOLT, the Siemens Energy Group wants to ensure a joint go-to-market approach, improve the way we work together and provide more transparency to our customers, partners, and the financial market. We have set the course for our new organisational structure which will become effective in the next financial year.
The Company has a twin track approach, delivering improved bottom line performance 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 · The demand side (reducing CO2 emissions through electrification). All the above is underpinned by an Environmental, Sustainability and Governance ("ESG") programme.	Globally, Siemens Energy launched a cost optimisation and competitiveness programme called Accelerating Impact. The programme had an impact in the UK, where significant restructuring in the Industrial Applications and Generation business units was required. Siemens Energy remains committed to the UK and the Accelerating Impact programme 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.
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 energy transition to net zero affects every part of Siemens Energy's market and our future depends on being leaders of the transition and being 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 the Company shows clear and consistent understanding of our local market and is seen to be a thought leader in key areas here.
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.	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 strong position in the industry. 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. 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.

SIEMENS ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

Taskforce climate related financial disclosures (TCFD)

Reporting requirements under sections 414CA and 414CB of the Companies Act 2006

Introduction

Sustainability is an integral part of the Group strategy, which is embedded in every Group subsidiary in the world, including Siemens Energy UK companies. To create transparency on the Company's climate actions, the Company's directors disclose how they address risks and opportunities arising from climate change. To do so, the directors are committed to implement the recommendations and guidance provided by the 'UK Department for Business, Energy and Industrial Strategy' on Climate-related Financial Disclosures (TCFD), and to meet the targets set out in the 'Sustainability report 2021' published by the Group.

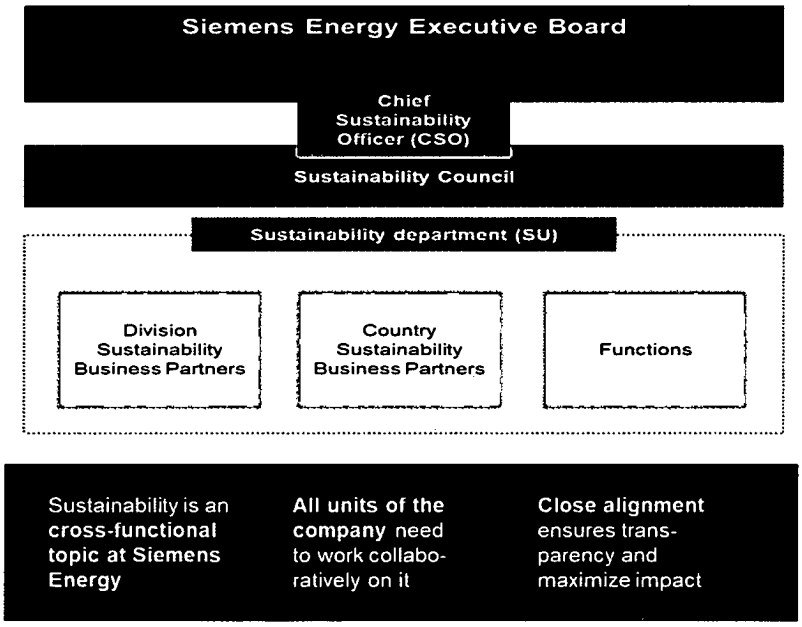
Governance

A: The Board's oversight of Climate-Related Risks and Opportunities ("CROs")

Sustainability and climate action play a key role in our decision making processes. The Group is committed to making an important contribution to the global economy's decarbonisation and supporting its customers in transitioning to a more sustainable world. During Capital Market Day the Group announced its aspiration to reach net zero across the entire value chain, in line with a 1.5°C pathway. The Group had already implemented GHG emission reduction initiatives along the entire value chain: in the supply chain, in its operations, and through the goods and services it provides to its customers.

The Group's Sustainability Program, which is fully integrated into the Company strategy, is led by the Chief Sustainability Officer ("CSO"), who is also the CEO of the Group. Climate action is a regular topic on the agenda of Group Executive Board meetings, as decarbonisation is the cornerstone of Siemens Energy's ("SE") business strategy. Topics covered include adapting SE's business model to offer decarbonised solutions to its customers and the progress of SE's program to become climate neutral in its own operations by 2030.

The Group Executive Board is informed quarterly and aligns on the reporting of all significant risks and opportunities throughout the SE, from the Enterprise Risk Management (ERM) process including climate issues. Due to the relevance of the topic, it was decided to also include emission targets in the Group Senior Management's Long-Term Incentive scheme.



B. Management's role in assessing and managing CROs

To reflect the importance of sustainability and climate action, the Group has established the Siemens Energy Sustainability Council. It meets quarterly and consists of decision-makers representing Business Areas (Area Executive Vice President-EVPs), Regional Hubs (Senior Vice President of Hubs-SVPs), and Heads of Corporate Functions. The Sustainability Council strategically oversees the implementation of the Sustainability Program by making decisions, setting priorities and focus where needed, providing resources to implement the Sustainability Program, and being sustainability ambassadors both inside and outside of Siemens Energy. The Group CEO chairs the Council in his role as CSO. The chair receives regular updates on the status of implementation of the Sustainability Program and an overview of topics where a decision is needed (if applicable). The Sustainability Council was established in February 2021.

The Group Vice President Sustainability manages the Group Sustainability Department, which is part of the Strategy Function, and is responsible for driving sustainability (including climate-related topics) within Siemens Energy and for coordinating the Group-wide sustainability activities, programs, and measures. Among others, the Sustainability Department coordinates the Climate Neutral Program and works on portfolio topics. The implementation of climate actions in Business Areas and Countries is ensured by nominated Sustainability Business Partners.

In the UK, the Head of Sustainability fulfils the role of the Country Sustainability Business Partner, reporting to the Vice President of Siemens Energy UK (the Country Managing Director). Siemens Energy in the UK has established a Decarbonisation Steering Committee to coordinate the Climate Neutral Program and work on portfolio topics for its business activities in the UK.

Risk Management

A. Processes for identifying and assessing climate-related risks

Climate-related risks and opportunities are analysed within the Group's dedicated ERM process as well as within further operational processes, e.g., in Property Risk Engineering analyses for detailed location-specific Environment Health and Safety (EHS) risks (e.g., fires, floods).

The ERM process aims for early identification, evaluation, and response to opportunities and risks that could materially affect the achievement of the Group's strategic, operational, financial, climate and compliance objectives across the entire Group. It is not the ultimate purpose of ERM to avoid or eliminate business risks, but to support entrepreneurial decision-making by finding the right balance of managing risks and pursuing opportunities.

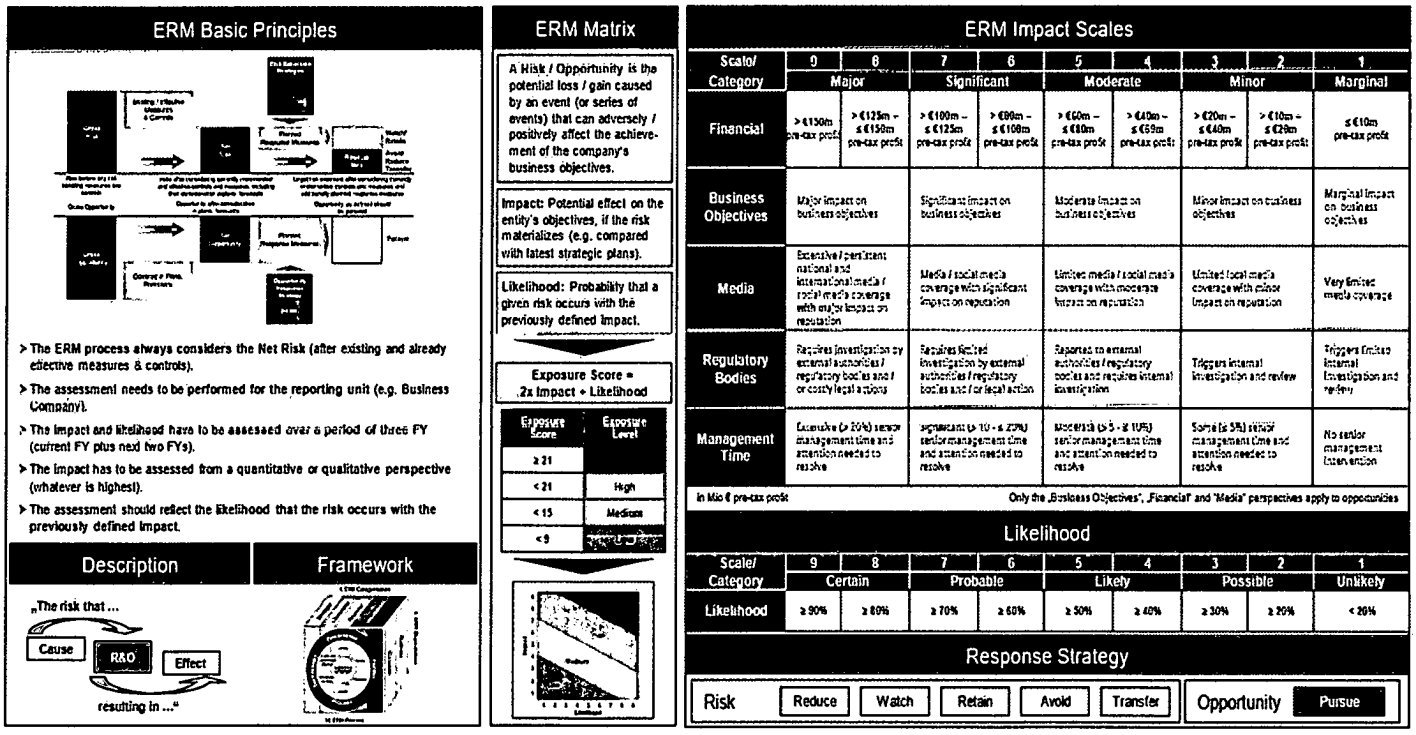
The risks identified are prioritised based on its:

1. Impact level – on a scale of 1 (marginal) to 9 (major); and
2. Likelihood level – on a scale of less than 20% (unlikely) to greater than or equal to 90% (certain).

The risk assessment allows Siemens Energy to prioritise the identified risks and focus management attention on the most important topics. The assessment also serves as the basis for the definition of adequate response measures and monitoring activities.

For all risks and opportunities (irrespective of the exposure level), response plans have to be documented in the Group ERM tool. All response plans have to be agreed upon by the management level concerned, and are founded on the general response strategy, which has to be mandatorily determined (to be chosen from five different risk response strategies: "Avoid", "Reduce", "Transfer", "Watch", and "Retain").

ERM Methodology



During the Group reporting process, each defined organisational reporting unit reports its updated risk register to the next higher organisational level for further evaluation and analysis. Thereby, individual risks and opportunities of similar cause-and-effect nature are aggregated bottom-up into broader risk and opportunity topics. Such aggregation naturally results in a mixture of risks, including those with a primarily qualitative assessment and those with a primarily quantitative assessment. The resulting aggregated topics form the basis for the evaluation of the company-wide risk and opportunity situation and allow a meaningful discussion of risk and opportunity at the Group Executive Board level.

B. Processes for managing climate-related risks

Climate change is integrated into this process to the extent that it influences risks and opportunities across the different organisational units and areas assessed, e.g., in relation to corporate sustainability, EHS, supply chain, or financing activities. In the UK, a process will be developed in financial year 2023 to consider climate related risk and opportunities as part of the regional ERM review which takes place quarterly. This will help the Company to identify UK based risks and opportunities, thereby strengthening our regional response to climate related scenarios.

Assessment of physical climate risks in Company operations is managed by the Environmental, Health and Safety and Quality (EQS) Department and recorded in Local Business Continuity Plans. Severe weather, such as fires, hurricanes, high winds and seas, blizzards, flooding, and extreme temperatures may cause evacuation of personnel, curtailment of services and suspension of operations, inability to deliver materials to job sites in accordance with contract schedules, loss of or damage to equipment and facilities, supply chain disruption, and reduced productivity. The likelihood of severe weather impacting our ability to deliver on Company's commitments is limited but will be monitored annually. For example, the UK hit the highest temperature on record on Tuesday July 19, 2022 impacting the work environment. A prolonged period of high temperatures, and more frequent occurrences of severe weather, is likely to increase the impact on the work environment in future years. Storms could impact the Company's ability to work on project sites in more remote regions of the country and wildfires from high temperatures could disrupt travel and supply deliveries.

The Group insurance process includes a natural hazard risk analyses for each new building project that drives the selection process for new site areas. The collected data and information allow the Group to identify geographical areas where we pay special attention at our sites in regard of risks from changed physical climate parameters. In the UK, the Company is extending this process for new sites and properties that we lease. The Group has introduced a risk analysis procedure to systematically identify potential risks in the supply chain and the Company will look to extend this to be included in our UK supplier management plans.

Strategy

A. CROs identified over the short, medium and long term

The impacts of climate change might have significant effects on our Company throughout the entire value chain, such as on markets, technologies, policy and legal, reputation, as well as physical impacts on our sites, portfolio, or supply chains, although we would expect these changes will be gradual over several years/decades. In particular, the trend towards decarbonisation in the energy market might require us to review our strategy, organisational setup, and portfolio. The Group constantly screen for climate action commitments and roadmaps as well as upcoming regulations, to derive risk exposure and share relevant findings with the Sustainability Council for further action in the respective area of responsibility.

In order to raise awareness of Environmental Social and Governance (ESG) risks in customer projects, the Group implemented an ESG check early in the decision-making process and work closely with Project/Customer Finance & Sales to ensure mitigation actions are identified and implemented in a timely manner. Furthermore, we perform carbon footprint assessments for selected customer projects to support decision-making. The table below describes the risks and opportunities arising from climate change on our business. The respective response plans to cope with both categories of risk, physical and transitional, have been further translated into opportunities to grow our business and contribute to more sustainable energy systems for society:

Definition of Time Horizons

STR – Short term risk – up to 3 years Siemens Energy defines a time horizon of up to 3 years in advance as short-term, as for short-term the market can be derived from a bottom-up analysis of the pipeline of projects in development (while for longer-term views we have to rely on a top-down approach).
MTR – Medium term risk – more than 3 and up to 5 years Siemens Energy defines a time horizon above 3 and up to 5 years as medium-term. Market developments for this horizon are typically derived from outlook scenarios as provided by third parties, e.g., HIS, IEA, Bloomberg. Even if the market development may not end up being the most likely scenario, it gives us a rather conservative view that enforces reasonable planning that is robust enough against potential deviations from the scenario assumed.
LTR – Long term risk – more than 5 and up to 30 years Siemens Energy defines a time horizon above 5 and up to 30 years as long-term. For this horizon, holistic long-term energy concepts for countries are being prepared, by making use of various scenarios like, e.g., HIS Markit, or IEA SHS and IEA SDS. The aim is to better assess the consequences and robustness of the current and alternative energy plans we may be proposing. That helps us identify the most reasonable plan of action while maintaining adequate robustness if the real-world development differs from the assumptions made. Beyond this horizon, any predictions are associated with high uncertainty and supposedly little impact on today's business
Baseline Year: 2021 is the baseline year for the time horizons

Climate Related Risks

	Risk driver	Identified potential impact	Time horizon	Response plan
Transitional risk	**Technology**	Climate change triggers significant changes in SE's markets and customer requirements (e.g., decarbonised energy systems). SE's operating results depend on our ability to adapt to those changes and to optimise our cost base accordingly.	STR	Close observation of market & regulatory developments, focusing on applications with earlier expected market maturity.
		Even if SE succeed in developing innovative technologies, our competitors may be able to commercialise similar technologies faster or more successfully than us.	MTR	Analysis of SE portfolio whereby three areas with a focus on core, growth, and transformation have been identified to address and enhance identified technology needs in the upcoming R&D planning process and beyond to mitigate technology/portfolio risks.
Transitional risk	**Market**	Reduced demand for existing fossil-based portfolio (e.g. Gas turbines) due to Decarbonisation (e.g., the shift from fossil fuels toward renewables, intensified competitive behaviour, low demand for hydrocarbons, oil price remains low long-term).	STR	Adaptation of business model and portfolio elements to the changing market behaviour, e.g. turbines using H_2/non-fossil fuels. Promoting decarbonised products to help shape the UK market by working closely with the UK Government (e.g. the Country VP or MD attends the UK Government Hydrogen Council). Simplification, speed-up, and renewal of the way innovations are pursued reflected in three elements: Focus: We select, prioritise, and commit to ideas from a strategic overview Accelerate: We accelerate ideas to maturity through dedicated channels Sustain: We strive for tangible returns and measurable value creation
		The volatility of oil price may impact customer investment in energy infrastructure due to accelerated change in consumer preferences.	MTR	Consistent decision-making in R&D re-allocation from underperforming portfolio elements to new green portfolio elements reflecting the strategic (transformational) focus of the Company.
		Increasingly difficult access to finance for fossil projects.	STR	Adaptation of business model and portfolio elements to the changing market behaviour.
		Risk/effects of higher energy costs driven by gas/fossil.	STR	Continue implementation of energy performance improvements for own operation to mitigate higher costs. Advising the UK Government.

	Risk driver	Identified potential impact	Time horizon	Response plan
Transitional risk	**Policy and legal**	The markets of the gas and power business are affected by changes in national energy regulations, such as support of renewable energy, carbon pricing and climate change targets, and the modernisation of energy and electricity markets, e.g., risk from changes to the UK operating environment and regulatory framework (for Energy). Risks arising from non-compliance with the code of conduct, legal, contractual, or (emerging) regulatory requirements might affect Siemens Energy, e.g., through legal requirements on emissions. CO_2 taxes, financing restrictions for greenhouse gas-emitting technologies, or declining subsidy levels might affect the financial sustainability of some of our business segments. The emerging EU Taxonomy will require the Group to publicly disclose sustainability-related financial figures, which might affect future investment decisions by external investors.	STR MTR	Monitoring current and emerging regulations in our major markets. Raising awareness for these new regulations to assess potential Impacts. Informing affected businesses as early as possible to create room for timely portfolio (products and services) adaptations. Where applicable, informing emerging regulations either directly through contacts with the relevant regulatory bodies or via associations or together with similarly affected companies to avoid or lessen foreseen impact. Implementation of a UK decarbonisation program including targets, to create transparency on decarbonisation levers and participation in the Group climate action program focussing on our portfolio. Positive enforcement of Siemens Energy strategy to lead the energy transition through Group and local communication campaigns such as the *Honestly* branding, which aims to provide transparency.
Transitional risk	**Reputation**	Increasing public pressure (e.g., media campaigns, boycotts) to accelerate the shift from fossil-based energy generation toward renewables might cause reputational damage if the portfolio transition toward helping customers reduce emissions and environmental impact on an absolute basis is not executed quickly enough. Reputational damage might result in adverse effects on our business (e.g., loss of tenders, discontinuation, or adaptation of some of our products earlier than expected) and financial conditions. If the strategic implementation deviates from what has been communicated, this may result in a lack of credibility for external stakeholders and partners.	STR MTR	Active portfolio management, where sustainability/ESG fit is one of the four strategic lenses applied. Constant screening of climate-related developments in the strategic programs of customers and other stakeholders, to derive risk exposure and share relevant findings with the Sustainability Council for further action in the respective area of responsibility. Transparency creation on ESG performance for stakeholders, e.g., through the Group Sustainability Report or contribution to relevant ESG ratings.

	Risk driver	Identified potential impact	Time horizon	Response plan
Physical risk	**Acute increased severity of extreme weather events**	Severe weather, such as fires, hurricanes, high winds and seas, blizzards, and extreme temperatures may cause evacuation of personnel, curtailment of services and suspension of operations, inability to deliver materials to job sites following contract schedules, loss of or damage to equipment and facilities, supply chain disruption, or reduced productivity.	STR	Continuous evaluation and monitoring of changes in physical climate parameters based on global studies, weather statistics, and trends based on international experience of insurance companies. Performance of local risk assessments (included in the Business Continuity Process), which supports the global EHS emergency management and development of protection concepts if needed. For example – in response to the flooding events (from run-off), improvements have been made to the site drainage, including inspection and maintenance regime.
		SE may face the risk of missing out on the identification of climate risks (e.g., flooding, storms) due to changes in climate conditions that result in damage to property or impact on business continuity.	MTR	Our insurance process provides natural hazard risk analysis for each new building project that supports the selection process for the respective site areas. The collected data and information allow us to identify geographical areas where we pay special attention to risks from changes of physical climate parameters.
Physical risk	**Chronic Longer-term shifts in climate**	Long-term shifts in climate patterns (e.g., longer and warmer seasons, extreme cold, drought) may affect our and our customers' operations and may require changes to our product portfolio and project execution, e.g. our servicing, generation, transmission businesses might be impacted due to storms, adverse weather.	LTR	Annual environmental review of all sites is recently completed and includes an assessment of environmental stressors and impacts. Implementation of those measures will be supported by the integrated management systems.

Climate Related Opportunities

	Risk driver	Opportunities	Time Horizon
Transitional risk	Technology	Development of new applications and continuous adaptation of our business models, offering, and product portfolio to changing customer requirements.	STR
	Technology	Acceleration of Siemens Energy's growth by developing a green product portfolio (e.g., Power-to-X, heat pump), customer requirement driven solutions (e.g., clean air replacement for SF_6, H_2 production, energy storage, resilient grids, decarbonised heat, H_2-fired gas turbines) and bring this to market within a short time.	STR
Transitional risk	Market	Keadby 2, SSE Thermal's CCGT being our first- of-a-kind, high efficiency, gas-fired generation technology to the UK.	MTR
	Market	Provision of energy storage for our clients in existing Power plants, as standalone solutions for grids.	MTR
	Market	We are exploring market opportunities, future portfolio elements, and are setting the foundation for new businesses. The Business Segment New Energy Business focuses on building up our H_2-related business with electrolyzer systems and solutions for the production of green hydrogen on the basis of renewable energy and water.	STR
	Market	Investment in targeted R&D activities.	MTR
Transitional risk	Policy and legal	An incentive to adapt current products and develop sustainable solutions leveraged by supporting regulations.	STR
	Policy and legal	UK has set a Net Zero target by 2050, which will increase its support (financial and regulatory) for climate friendly technologies and solutions e.g., growth in Transmission business to support increase wind power, as a result of the UK regulatory changes.	STR
	Policy and legal	Compliance with best climate change mitigation practices as well as with ESG standards.	MTR
	Policy and legal	A positive reputation may lead to better stakeholder relationships and thus may result in business opportunities e.g., financing, tenders, etc.	MTR
Physical risk	Acute increased severity of extreme weather events	Constant improvement of processes for assessing risks, supporting the UK (and Group) EHS Emergency Response Management System and the supply chain response. Readiness for emergencies, as part of the Business Continuity Process, leading to increased resilience.	MTR
	Chronic Longer-term shifts in climate	No identified opportunities	

B. Impact of CROs on business, strategy and financial planning

Climate-related risks and opportunities influence the Company strategy as well as financial planning, e.g., in terms of portfolio adaptation, allocation of investments and R&D, own operations, and the entire value chain to mitigate risks arising from the transition to a lower-carbon economy, such as CO_2 taxes, financing restrictions for greenhouse gas-emitting technologies, or a reduction in customer demand due to a change in consumer behaviour. As such, climate-related risks and opportunities might have a significant impact on the Company's products and services in the short, medium and long-term.

'Decarbonisation' is one of the key market drivers for Siemens Energy, and we will continue to transform our portfolio as part of our company program "Energy of Tomorrow" where we want to be ready to be leading the energy transformation. Therefore, Siemens Energy focuses on building our company based on three key pillars: 1. Low or zero-emission power generation, 2. Transport of electricity and storage and 3. Reducing our CO_2-footprint and energy consumption in industrial processes. This includes the reduction of absolute Scope 1 and 2 GHG emissions by at least 46% by 2025 from the base year 2019. This is an even greater ambition than our initial target year, originally 2030, as validated by the SBTi. In this context, Siemens Energy decided in November 2020 to no longer support the development of new, purely coal-fired power plants, for example.

Furthermore, in response to transition risks such as carbon pricing, Siemens Energy has developed a Climate Neutral Program and aims to be climate neutral by 2025 in its own operations. In addition, procurement prices might rise due to carbon pricing, which is why we engage with suppliers to reduce carbon emissions in our supply chain through our Carbon Reduction@ Suppliers program.

Scenario analysis allows us to develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect Siemens Energy's businesses, strategies, and financial performance over time. The Company relies on the Group climate-related scenarios and models, and the Company also uses the National Grid Future energy scenarios (FES) report published annually in July to inform scenario analysis for the UK market.

1. Corporate strategy: Siemens Energy in the UK operates as part of the Global Siemens Energy business.

For global strategic assumptions, the Group uses mainly IHS Markit but also BNEF NEO, IEA Net Zero by 2050, or IRENA. They are applied in all businesses, e.g., for assumptions on fossil energy additions, costs for renewables, policies, and regulations. The time horizon until 2040/2050 reflects long cycles of energy investments. The results are used to inform management about possible opportunities and threats if scenario compliance with climate goals materialises as well as for corporate strategy development, the planning process, the sales targets for our regional managers (for example the UK & Ireland Sub-Region), and as a basis for decisions of our management on an annual basis. Scenarios highlight the need to balance fluctuating renewables and ensure stability of the electricity grid.

2. Business strategy: Siemens Energy uses the scenarios to be able to compare, challenge, or complement our strategic mid-/long-term related planning processes. This also helps us identify new business opportunities such as investment in hydrogen.

The Group uses IHS Markit, as well as IEA SDS with the following rationale: IHS Autonomy, e.g., is used for the Generation business with customised data of IHS for market planning. Our regional strategy is based on NDCs. Data provided includes power generation, installed capacity, retirements, and gross capacity additions by technology and fuel type, but also further macroeconomic indicators. IEA SDS is used to incorporate a multitude of societal (e.g., push for decarbonisation) and economic indicators (e.g., GDP, population growth) and power generation-specific predictions.

Based on this market model, strategic business decisions (e.g., footprint, portfolio adaptations, marketing strategies) are taken, e.g., to predict the power generation market evolvement in the next 5 to 10 years. Siemens Energy uses external scenarios especially for the installed capacity/power consumption/investments (Capital or Operating expenditure). Siemens Energy compares how the markets react to extreme parameters and adjust our strategic outlook/KPI monitoring and/or our deduced strategic rationales accordingly. The Group uses IHS autonomy and IEA SDS scenarios were considered, looking at indicators such as uptake of renewables, need for decentralisation, increased demand for energy efficiency, or CO_2 prices for 2020 to 2040.

3. Global decarbonisation strategy: Decarbonisation will transform the whole energy value chain over the next few decades. Under the Group Decarbonisation Programme, Siemens Energy considers itself a leading partner for decarbonisation for its customers and society by providing innovative technologies. This includes an understanding of the technological changes required for the next 30+ years as well as of the costs involved.

C. Resilience of the Siemens Energy strategy, taking into considerations different climate-related scenarios including a 2°C or lower scenario

To further understand the risk that climate change could have on our business, Siemens Energy undertook a high-level scenario analysis, where we considered scenarios out to 2030. We used two in-house scenarios:

- The first assumed that the global response to the threat of climate change is enough to limit global average temperature increases to no more than 1.5ºC above pre-industrial levels (as set out in the Paris Agreement) by 2100 (the 1.5ºC scenario). In this scenario, rapid changes are made to progress decarbonisation goals: coordinated policy, regulation and customer behaviour favours bans on polluting technologies, and support for low-carbon solutions. Based on the market analysis, the Company supports the conclusion that the transition impacts in this scenario would be focused around technological shifts to support decarbonisation, with the main impacts being a trend towards more large-scale renewables in the generation mix, a trend towards electrification and public pressure against the use of gas.

- The second scenario assumed that the 1.5ºC target is missed by some margin, comparable to a 4ºC global average temperature increase (4ºC scenario). In this scenario, changes are less rapid and less comprehensive, and emissions remain high, so that the physical ramifications of climate change are more apparent by 2030. Market analysis for this scenario indicates a slower global progress. This scenario would result in fragmented and ad hoc policy, which would not provide consistency for our business activities with our customers. The main impacts of this scenario were increased weather events of escalating severity and frequency, which could increase disruption to our customers, less coordinated policy and regulation in pursuit of decarbonisation, resulting in an increase in overall costs and complexity.

While assessing, analysis showed that, without action, there are risks in both the scenarios presented. However, while these would need to be managed, some of these changes represent material opportunities.

Metrics and targets

A. Metrics used to assess CROs in line with strategy and risk management processes

Decarbonisation is a core part of Siemens Energy's strategy. Therefore, it is essential to set targets and measure the performance against those targets. We will continue to transform our portfolio, since the greatest potential to reduce GHG emissions is within our products, solutions, and services. As part of the SBTi evaluation, we integrated the use of our sold products into our carbon footprint calculation for the first time. Sold products worldwide make up over 99% of our overall carbon footprint. We are committed to a 28% reduction collectively by 2030 from a 2019 base year. The SBTi confirms that our target for the use of our sold products is in line with the Paris Climate Agreement to limit global warming to well below 2°C.

Becoming climate neutral in our own operations is an integral part of the decarbonisation journey for Siemens Energy. We aim to be climate neutral in our own operations by 2030. The global target sets a reduction of absolute Scope 1 and 2 GHG emissions by at least 46% by 2025 from the base year 2019 – in line with a 1.5°C trajectory, as validated by the SBTi. The strongest levers to achieve climate neutrality by 2030 are reducing energy consumption, using renewable electricity, reducing SF_6 emissions, and new mobility concepts.

B. Scope 1 & 2, and Scope 3 greenhouse gas emissions, and related risks

In the UK, Siemens Energy UK follows the Siemens Energy global approach, looking in more detail at the risks and opportunities for decarbonisation in regional based businesses.

The baseline for Siemens Energy UK's carbon footprint is financial year 2021 (October 2020 – September 2021) as our first full year operating as Siemens Energy. Before the carve out in 2020, Siemens Energy operated as the Gas and Power Division of Siemens AG. Significant reductions in carbon have been achieved prior to the carve-out from the baseline year 2014-15. Siemens Energy as a new business has been formed in 2020 and we re-baseline our performance energy targets from the financial year 2021.

Carbon Trust Assurance Limited (CTA) was commissioned by Siemens Energy to provide an independent, limited level of assurance by conducting a verification of the UK carbon footprint in line with the GHG protocol and verified to ISO 14064-3.

Siemens Energy UK businesses measure Scope 1 and Scope 2, however Scope 3 is limited to business travel, which includes flights, rail, taxis, and car hire data for the reporting period.

The total footprint calculations were 32,281 tCO_2e, according to the location-based method and 26,292 tCO_2e, according to the market-based method. The breakdown by scope is:

	FY 2021
Scope 1:	25,458 tCO_2e
Scope 2 (location-based):	6,159 tCO_2e
Scope 2 (market-based):	169 tCO_2e
Scope 3: (Business Travel)	665 tCO_2e

Carbon footprint was not significantly impacted by Covid as Siemens Energy UK's manufacturing sites stayed open during lockdown. Business Travel was the exception with a dramatic decrease during 2020 and 2021.

With regard to decarbonisation in the supply chain, the Group has introduced the Carbon Reduction @ Suppliers pilot project, which has enabled us to calculate our carbon footprint for upstream activities, identify the top 100 suppliers with the highest carbon footprint, and then share their implemented and planned CO_2 reduction measures with us. We commit to the Group target of reducing relative Scope 3 GHG emissions from purchased goods and services as well as transportation and distribution by 30% per procurement volume (£ spent) until 2030.

For more information on our decarbonisation efforts, energy consumption, and related GHG emissions, please refer to the SECR disclosure section above and Siemens Energy UK Decarbonisation Programme (Link to the Programme).

Definitions and glossary of terms

BNEF NEO: The New Energy Outlook (NEO) is Bloomberg NEF's annual long-term scenario analysis on the future of the energy economy.

COP26: The 26th UN Climate Change Conference of the Parties which the UK hosted at the Scottish Event Campus in Glasgow on 1–12 November 2021. The climate talks brought together heads of state, climate experts and campaigners to agree coordinated action to tackle climate change. The Company is a principal partner of COP26.

Carbon (Climate) Neutral: defined by an internationally-recognised standard – PAS 2060 – which sets out requirements for the quantification, reduction and offsetting of greenhouse gas emissions. In this standard, the definition of a carbon neutral footprint is a 'condition in which during a specified period there has been no net increase in the global emission of greenhouse gases to the atmosphere as a result of the greenhouse gas emissions associated with the subject during the same period'. The approach to residual emissions differs, with specific greenhouse gas removals required for Net Zero targets, whereas carbon offsets are accepted for carbon neutrality.

Decarbonisation: Decarbonisation is the term used for removal or reduction of carbon dioxide (CO_2) output into the atmosphere. Decarbonisation is achieved by switching to usage of low carbon energy sources.

GHG: Gases that trap heat in the atmosphere are called greenhouse gases - Carbon dioxide (CO_2): Methane (CH_4): Nitrous oxide (N_2O): Fluorinated gases (Hydrofluorocarbons, Perfluorocarbons, Sulphur hexafluoride, and nitrogen trifluoride)

GHG Scope 1, 2 and 3: The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

IEA: International Energy Agency.

IEA Net Zero by 2050: The Net Zero Emissions by 2050 Scenario (NZE). This is a normative IEA scenario that shows a narrow but achievable pathway for the global energy sector to achieve net zero CO_2 emissions by 2050, with advanced economies reaching net zero emissions in advance of others. This scenario also meets key energy-related United Nations Sustainable Development Goals (SDGs), in particular by achieving universal energy access by 2030 and major improvements in air quality. The is consistent with limiting the global temperature rise to 1.5 °C without a temperature overshoot (with a 50% probability), in line with reductions assessed in the IPCC in its Special Report on Global Warming of 1.5 °C.

IEA SDS Scenarios: International Energy Agency Sustainable Development Scenario (SDS). For the World Energy Outlook 2021 (WEO-2021), four scenarios were modelled: the Net Zero Emissions by 2050 Scenario (NZE), the Announced Pledges Scenario (APS), the Stated Policies Scenario (STEPS), and the Sustainable Development Scenario (SDS).

IHS Markit - IHS provides subject matter experts, analysts and consultants to provide actionable intelligence to make informed decisions.

IRENA: The International Renewable Energy Agency (IRENA) is an intergovernmental organisation that supports countries in their transition to a sustainable energy future, and serves as the principal platform for international cooperation, a centre of excellence, and a repository of policy, technology, resource and financial knowledge on renewable energy.

Net Zero: The Science Based Targets initiative (SBTi) has defined Net Zero targets for corporates as follows: 'To reach a state of net zero emissions for companies implies two conditions: 1)To achieve a scale of value-chain emission reductions consistent with the depth of abatement achieved in pathways that limit warming to 1.5°C with no or limited overshoot and; 2)To neutralise the impact of any source of residual emissions that remains unfeasible to be eliminated by permanently removing an equivalent amount of atmospheric carbon dioxide.'

NDCs: Nationally determined contributions (NDCs) are at the heart of the Paris Agreement and the achievement of these long-term goals. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.

Paris Agreement: The agreement, also known as the Paris Climate Accord, within the United Nations Framework Convention on Climate Change dealing with greenhouse gas emissions mitigation, adaptation and finance starting in the year 2020, and adopted by consensus on 12 December 2015.

SBTi: Science Based Targets Initiative, aligned to the Paris Agreement.

SF_6: Sulphur hexafluoride is an inorganic, colourless, odourless and non-flammable greenhouse gas. SF_6 is used in the electricity industry as a gaseous dielectric medium for high-voltage circuit breakers, switchgear and other electrical equipment. The Kyoto protocol estimated that the global warming potential over 100 years of $SF_6$is 23,900 times more potent than that of CO_2.

STEM: Science, technology, engineering and mathematics.

Approved by the board of directors on December 16, 2022 and signed on its behalf by

S. Scrimshaw

S Scrimshaw
Director

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

DIRECTORS' REPORT

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

S Scrimshaw	
M Gray	
P O'Brien	(Appointed: 01/10/2022)
S Davina	(Resigned: 01/10/2022)

None of the directors holding office on September 30, 2022 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 (2021: £nil).

RESEARCH AND DEVELOPMENT

During the financial year, the Company spent £nil (2021: £nil) 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 27 to the financial statements.

GOING CONCERN

The directors continue to monitor the ongoing impact of COVID-19 and Ukraine-Russia war situation 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 and geo-political instability.

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. This worst-case forecast shows an expected shortfall in the cash flow at the end of 12 months period (until December 31, 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 (until December 31, 2023) 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.

For 2022, 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 reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

STREAMLINED ENERGY CARBON REPORTING ("SECR")

Position Statement

Siemens Energy strategy to decarbonise global energy systems is central to our efforts to be the partner and driver of the energy transition. The three core commitments to decarbonise along the value chain:

- Commitment to decarbonise our product and service portfolio via Science Based Targets initiative (SBTi) with a target of 28% reduction of GHG from the use of sold products by 2030 (from a 2019 baseline)
- Commitment to climate neutrality in our own operations by 2030 with a target reduction of absolute Scope 1 & 2 GHG emissions by at least 46% by 2025 (from a 2019 baseline)
- Pursuit of emission reductions throughout our supply chain with a target reduction of relative Scope 3 GHG emissions in our supply chain by 2030 of 30% (kg CO2e/€ PVO spent, base year 2018)

The Siemens Energy UK business has established a regional Decarbonisation programme with targets established for reduction in energy use and carbon emissions from operations (Scope 1 & 2) emissions in line with the global objectives. The UK programme and targets are reviewed annually and updated every three years.

Targets (Scope 1 & 2)

- Reduction in absolute carbon emissions (CO2e) by 5% year-on-year
- Annual energy performance targets for all manufacturing sites and offices
- Replace natural gas used for heating on manufacturing sites and offices by 2030
- Reduction of carbon emissions from gas used for turbine tests by 5% year-on-year (normalised against test demand)
- Company car vehicle fleet to be 100% low emission vehicles by 2025

Targets (Scope 3)

- Engage with our supply chain to understand how they monitor their scope 1, 2 and 3 emissions and develop improvement plans (3-year plan)

The business operates an Energy Management System compliant with the requirements of International Standard ISO 50001:2018 and is committed to continual energy performance improvement.

Comparisons with previous year figures for energy use and GHG emissions

For the first year of SECR reporting, Financial Year 2020 (FY20) energy and carbon data was reported for the second half of the FY20. This was due to the carve-in of Gas and Power business from a Siemens AG Group company, Siemens plc on April 1, 2020, representing the portion of the financial year that the business operated as Siemens Energy Limited.

FY22 Intensity Measure: 10.65 tCO2e/£million

FY21 Intensity Measure: 13.70 tCO2e/£million*

FY20 Intensity Measure: 5.94 tCO2e/£million

	FY20		FY21*		**FY22**	
	kWh	tCO2e	kWh	tCO2e	**kWh**	**tCO2e**
Gas	3,834,880	705	6,224,012	1,144	**6,114,006**	**1,120**
Purchased Electricity**	3,078,717	867	7,687,847	1,964	**7,918,381**	**1,830**
Transport (owned fleet)	1,711,036	512	1,857,973	423	**1,999,773**	**443**
Fuel (Gas Oil)	Not reported	Not reported	14,802,381	3,800	**2,771,539**	**712**
Petrol	Not reported	Not reported	Not reported	Not reported	**3,374,903**	**844**
HVO (Hydrotreated Vegetable Oil-Bioenergy)	Not reported	Not reported	Not reported	Not reported	**116,757**	**6**

*For FY21 - Energy from construction project sites (Electricity, Fuel and Gas) added to the SECR Report
*For FY21 - Transport (owned fleet) and Fuel (Gas Oil) values have been restated to reflect the updated data
** Using Location based electricity factors

Energy Performance Improvements in FY22

Buildings (Office and Factories)

Heaton (C A Parsons) Works, Newcastle

The Heaton Works manufacturing facility located at Shields Road, Newcastle-upon-Tyne is approximately 40,000 square meters comprised of the manufacturing plant, workshops and offices and employs approximately 360 people. The facility is used for designing, manufacturing and servicing of Siemens Energy products in the UK.

In FY22 there was an increase in gas and electricity due to return-to-work post COVID.

In FY23 destratification fans and improved roller doors will be installed to improve efficiency of gas heating in manufacturing bays.

SubSea Works, Ulverston

The Ulverston facility is a medium sized light engineering business providing electrical connection products primarily for the subsea industry. Functions include sales and marketing, engineering, project management, manufacturing, design, procurement, site installation and other support functions. There are currently approximately 280 staff split between shop floor and offices.

There was an overall 27% reduction in consumption (kWh). In the period from December to May there was a decrease in gas consumption in buildings 1 and 2 compared to FY21. This is attribute to the decommissioning of a gas boiler and a change in average temperatures.

The site has an established Energy Usage Group in FY22, and the following projects have been delivered:

- LED lighting change in Building 1
- Boiler installation in Building 1 and Building 3 in Nov 2021
- Material model set up to help with design changes in DigiTRON product
- A molded pin insert (a single molding concept design) is used which reduces material waste and energy for production
- A four-day week has been implemented for the Mold shop

SubSea Workshop, Aberdeen

- Replacement of current office fluorescent lighting in area D2 with LED lighting units
- Replacement of current Halogen light units in area D1 Workshop/Warehouse with LED lighting units
- Employee awareness campaign to promote energy saving behaviours
- Sub-Metering workshops areas D1 & D2 from office space

Construction Sites

The business is increasing the proportion of energy efficient (EPC B Rated or equivalent) temporary cabins used on construction sites each year. Energy efficient features include LED Lighting, PIR sensors, double glazed windows, use of push taps, aerators, low volume flush toilets and waterless urinals. The objective for FY23 is to increase the use of A Rated cabins as part of Site Mobilisation.

In FY22, the project teams have sourced alternative fuels to power plant and generators. Since April 2022, some construction sites have shifted to using the biofuel HVO as an alternative to diesel. The objective for FY23 is to increase transitioning to HVO and other alternative fuels to decrease carbon emissions.

The project sites at Sandford and Moray West have imported recycled and secondary aggregate, in addition to primary aggregate, to decrease reliance upon virgin materials. In total, the combined projects have used 8,368.72 tonnes of secondary or recycled aggregate.

The Sandford Substation project has used B-rated equivalent cabins, solar powered tower lighting, a solar powered portaloo and established a Grid connection (electricity) for welfare within first six months of construction. This has reduced reliance on diesel generators.

The business is committed to using energy efficient plant for all construction project sites. All projects implement a 'no idling' policy, in addition to other carbon reduction methods to be adopted by all staff.

Methodologies used in calculation of disclosures

Alignment with Financial Reporting

SECR Disclosure has been prepared in line with the Company's annual accounts made up to September 30, 2022.

Reporting method

GHG emissions reported in accordance with GHG Protocol Corporate Accounting and Reporting Standard.

Conversion factors

Siemens Energy applies the Defra greenhouse gas conversion factors to calculate carbon and fugitive emissions. The carbon footprint is reported in tonnes of carbon dioxide equivalence (CO2e).

Data Sources

Data is collected and reported via our in-house information systems as well as third party systems.

- Navigator System is used for energy consumption data (Electricity & Gas) from supplier data.
- Landlord data is calculated from invoices. An average unit price for gas and electricity is used to convert to kWh.
- Fleet data is sourced from Fuel Cards and Mileage expense claims and includes commercial vehicles, hire cars, company cars and personal cars driven for business. The DEFRA average vehicle conversion factors are used (Petrol, Diesel, PHEV, BEV).
- Energy consumption from projects sites is collated from meter readings, invoices for fuel and invoices from customers.

Reason for intensity measurement choice

Turnover is the most appropriate intensity metric due to varied nature of our business operations in the UK.

Renewable Energy

The Company has a contract for 100% renewable electricity with guarantees of origin (REGO) for all owned sites in the UK. In 2022, renewable energy certificates have been purchased to account for energy consumption on sites where the landlord is responsible for the purchasing energy. The Company used 100% renewable energy in 2022 but has elected to report purchased electricity using location factors instead of market factors.

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 4 to 13.

STATEMENT OF ENGAGEMENT WITH CUSTOMERS, SUPPLIERS 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 4 to 13, where the Company has 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. Further information can be found in the s.172 statement and TCFD reporting on pages 4 to 24 in the Strategic Report.

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.

SUBSEQUENT EVENTS

There were no significant events after the reporting period.

POLITICAL DONATIONS

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

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

Approved by the board of directors on December 16, 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

SIEMENS ENERGY LIMITED

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

YEAR ENDED SEPTEMBER 30, 2022

The directors are responsible for preparing the annual report and financial statements in accordance with United Kingdom laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Company's financial statements in accordance with UK-adopted international accounting standards ("IAS"). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of 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;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 UK-adopted 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 UK-adopted IASs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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. 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS ENERGY LIMITED

Opinion

We have audited the financial statements of Siemens Energy Limited (the Company) for the year ended 30 September 2022 which comprise the Statement of Income, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 32, 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.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 the period to 31 December 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 this gives

rise to 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.

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 30, 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 relating to the financial reporting framework (UK adopted international accounting standards and Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the UK. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety and General Data Protection Regulation (GDPR).
- We understood how the Company is complying with those frameworks by making inquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities when applicable.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue recognition to be a fraud risk. We made inquiries with management across various parts of the business and those charged with governance in relation to fraud or suspected fraud identified if any. Such inquiries included regular meetings with the Company's compliance and legal teams throughout our audit. We also tested manual journals on areas involving significant estimation and judgment, which were identified through our data analytics techniques based on criteria tailored to identify journals most susceptible to fraud. We also tested sample revenue transactions backing to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making inquiries of management and those charged with governance, reading board meetings and performing journal entry testing as set out above. We also considered the results of our substantive procedures on other areas of the audit that may indicate a non-compliance with such laws and regulations.

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.

DocuSigned by:
Ernst & Young LLP
C9F558DE68994AC...

Kate Jarman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
19 December 2022

SIEMENS ENERGY LIMITED

STATEMENT OF INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2022 (in thousands of £)

	Note	**2022**	2021
Revenue	3	**465,091**	535,461
Cost of sales		**(413,958)**	(502,577)
Gross profit		**51,133**	32,884
Marketing and distribution expenses		**(22,320)**	(20,877)
Administrative expenses		**(12,607)**	(12,392)
Other operating expenses		**(540)**	(7,965)
Operating profit / (loss)	4	**15,666**	(8,350)
Interest income	7	**935**	695
Interest expenses	7	**(2,576)**	(1,556)
Interest expenses from pension plans and similar commitments, net	7	**(6)**	(10)
Income / (loss) before income taxes		**14,019**	(9,221)
Income tax expense	8	**(2,512)**	(5,827)
Income / (loss), net of income taxes		**11,507**	(15,048)
Net income / (loss) for the financial year		**11,507**	(15,048)

SIEMENS ENERGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED SEPTEMBER 30,2022 (in thousands of £)

	Note	2022	2021
Net income / (loss) for the financial year		**11,507**	(15,048)
Items that will not be reclassified to profit or loss			
Remeasurement gains on defined benefit plans	21	**320**	21
Deferred tax (charge) / credit on remeasurement gains	8	**(80)**	7,255
Total items that will not be reclassified to profit or loss		**240**	7,276
Items that may be reclassified subsequently to profit or loss			
Gains / (losses) on derivative financial instruments	27	**2,368**	(300)
Deferred tax charge on gains / (losses) on derivative financial instruments	8	**(592)**	(77)
Total items that may be reclassified subsequently to profit or loss		**1,776**	(377)
Other comprehensive income, net of income taxes		**2,016**	6,899
Total comprehensive income / (loss)		**13,523**	(8,149)
Attributable to: Owners of the Company		**13,523**	(8,149)

SIEMENS ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2022 (in thousands of £)

	Note	2022	2021
ASSETS			
Cash and cash equivalents		**3**	-
Trade and other receivables	9	**187,964**	42,987
Other current financial assets	10	**9,933**	7,037
Contract assets	3	**83,733**	139,165
Inventories	11	**30,695**	16,952
Current income tax assets		**6,106**	7,692
Other current assets	12	**1,613**	1,279
Total current assets		**320,047**	215,112
Goodwill	13	**261,479**	261,479
Other intangible assets	14	**6,925**	9,532
Property, plant and equipment	15	**33,738**	34,654
Other financial assets - non-current	10	**24,937**	25,450
Total non-current assets		**327,079**	331,115
Total assets		**647,126**	546,227
LIABILITIES AND EQUITY			
Current lease liabilities	20	**5,614**	5,096
Trade and other payables	17	**67,925**	73,561
Other current financial liabilities	16	**5,229**	2,434
Short-term debt	19	**150,000**	-
Contract liabilities	3	**151,531**	75,934
Current provisions	22	**23,551**	29,013
Other current liabilities	18	**76,221**	58,127
Total current liabilities		**480,071**	244,165
Lease liabilities - non-current	20	**22,970**	24,908
Long-term debt	19	**-**	150,000
Post-employment benefits	21	**-**	314
Provisions - non-current	22	**16,713**	12,330
Other liabilities - non-current	23	**1,281**	1,507
Other financial liabilities - non-current		**2**	2
Deferred tax liabilities	8	**483**	918
Total non-current liabilities		**41,449**	189,979
Total liabilities		**521,520**	434,144

SIEMENS ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2022 (in thousands of £)

	Note	**2022**	2021
Equity			
Share capital	24	**167,500**	167,500
Cash flow hedging reserve		**1,436**	(340)
Retained earnings		**(43,330)**	(55,077)
Total equity		**125,606**	112,083
Total liabilities and equity		**647,126**	546,227

These financial statements were approved and authorised for issue by the board of directors on December 16, 2022 and were signed on their behalf by:

.....

M Gray
Director

Registered number: 00631825
Siemens Energy Limited

SIEMENS ENERGY LIMITED

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2022 (in thousands of £)

	Note	2022	2021
Cash flows from operating activities			
Net income / (loss) for the financial year		**11,507**	(15,048)
Adjustments to reconcile net income / (loss) to cash flows from operating activities			
Depreciation and amortisation	4, 14, 15	**10,003**	14,012
Income tax expenses	8	**2,512**	5,827
Interest expenses - net	7	**1,641**	861
Defined benefit pension charge in Statement of Income	21	**6**	31
Lease expenses		**-**	2,368
Losses on disposal of intangible assets and property, plant and equipment, net		**5**	88
Impairment of property, plant and equipment	15	**6**	184
Other non-cash expenses		**48**	63
Operating profit before changes in working capital and provisions		**25,728**	8,386
Changes in assets and liabilities			
Inventories		**(13,743)**	28,172
Contract assets		**55,432**	(53,097)
Trade and other receivables		**(57,222)**	7,839
Other current assets		**(170)**	(186)
Trade payables and accrued expenses		**(10,709)**	29,308
Contract liabilities		**75,597**	(52,954)
Current provisions		**(5,462)**	8,881
Other current liabilities		**19,199**	1,009
Long-term assets		**-**	(75)
Long-term liabilities		**4,749**	3,208
Cash generated from / (used in) operations		**93,399**	(19,509)
Income taxes paid		**(2,032)**	(1,145)
Interest paid	7	**(1,641)**	(861)
Defined benefit pension contributions paid	21	**-**	(320)
Cash flows from operating activities – continuing operations		**89,726**	(21,835)
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	14,15	**(4,553)**	(2,527)
Cash received from finance lease repayments		**3,531**	9,489
Disposal of intangibles and property, plant and equipment	14,15	**127**	375
Cash flows from investing activities – continuing operations		**(895)**	7,337
Cash flows from financing activities			
Change in financing from other Group companies	9, 17	**(82,376)**	13,049
Repayment of lease liabilities		**(6,452)**	(7,699)
Cash flows from financing activities – continuing operations		**(88,828)**	5,350
Change in cash and cash equivalents		**3**	(9,148)
Cash and cash equivalents at the beginning of the year		**-**	9,148
Cash and cash equivalents at the end of the year		**3**	-

SIEMENS ENERGY LIMITED

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2022 (in thousands of £)

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.

SIEMENS ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2022 (in thousands of £)

	Share capital	Cash flow hedging reserve	Retained earnings	Total equity
Brought forward October 1, 2020	167,500	37	(47,305)	120,232
Net loss for the financial year	-	-	(15,048)	(15,048)
Other comprehensive (loss)/income, net of income taxes	-	(377)	7,276	6,899
Balance at September 30, 2021	167,500	(340)	(55,077)	112,083
Brought forward October 1, 2021	**167,500**	**(340)**	**(55,077)**	**112,083**
Net income for the financial year	-	-	**11,507**	**11,507**
Other comprehensive income, net of income taxes	-	**1,776**	**240**	**2,016**
Balance at September 30, 2022	**167,500**	**1,436**	**(43,330)**	**125,606**

Cash flow hedging reserve

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

Other comprehensive income

Other comprehensive income is allocated to retained earnings with the exception of other comprehensive income of £1,776k (2021: loss of £377k) which relates to gains /(losses) on derivative financial instruments. This is allocated to the cash flow hedging reserve.

1. Basis of presentation

The accompanying financial statements present the operations of Siemens Energy Limited (the "Company") and have been prepared and approved by the directors in accordance with the UK-adopted international accounting standards ("UK-adopted IAS") and applied in accordance with the Companies Act 2006. The financial statements were authorised for issue by the Board of Directors on December 16, 2022. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

The Company 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. The Company is a United Kingdom based company incorporated in England and Wales and offers a wide range of products, systems, solutions, and services in the fields of power transmission, central and distributed power generation, as well as industrial applications for the oil and gas industry and for industrial process applications.

The Company applied all standards and interpretations issued by the International Accounting Standards Board ("IASB") that were effective as of September 30, 2022. 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 directors continue to monitor the ongoing impact of COVID-19 and Ukraine-Russia war situation 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 and geo-political instability.

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. This worst-case forecast shows an expected shortfall in the cash flow at the end of 12 months period (until December 31, 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 (until December 31, 2023) 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.

For 2022, 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 reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

2. Summary of critical accounting estimates and significant accounting policies

2.1 Key accounting estimates and judgments — The accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the results of operations, financial positions, and cash flows of the Company. Critical accounting estimates could also involve estimates where the Company reasonably could have used a different estimate in the current accounting period. Further details are included as follows:

Revenue recognition — Revenues are recognised over time under the percentage-of-completion method. It places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments, and may lead to an increase or decrease of revenue. If a sales contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those.

Trade and other receivables — 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. 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. The movement on the valuation allowance is given in note 9.

Impairment review — The Company performs an impairment test, at least annually, to check if the goodwill has incurred any impairment, in accordance with its accounting policy. The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired companies, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, discounted cash flow calculation use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates and weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. See note 13 for further explanation of the goodwill impairment test in the year.

Likewise, 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.

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

Provisions — Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations, legal and regulatory proceedings. The Company records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards, as well as estimates involving warranty costs and estimates regarding project delays including the assessment of responsibility splits between the contract partners for these delays. Uncertainties regarding asset retirement obligations include the estimated costs of decommissioning and final waste storage because of the long timeframe over which future cash outflows are expected to occur including the respective interest accretion. The estimated cash outflows could be impacted significantly by changes of the regulatory environment. Legal proceedings often involve complex legal issues and are subject to substantial uncertainties. Accordingly, considerable judgment is part of determining whether it is probable that there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a legal proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. Internal and external counsels are generally part of the determination process. Due to new developments, it may be necessary, to record a provision for an ongoing legal proceeding or to adjust the amount of a previously recognised provision. Upon resolution of a legal proceeding, the Company may incur charges in excess of the recorded provisions for such matters. The outcome of legal proceedings may have a material effect on the Company's financial position, its results of operations and or its cash flows. For further explanation of the movement in provisions in the year see note 22.

Leases — 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). The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Incremental borrowing rates are determined monthly and depend on the term, country, currency and start date of the lease.

Defined benefit pension plan -- Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rates of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available discount rates are based on government bonds yields. Due to changing market, economic and social conditions the underlying key assumptions may differ from actual developments. For a discussion of the current funded status see note 21.

2.2 Significant accounting policies

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

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

Sales from construction type contracts: Revenues are recognised over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognised as an expense immediately. Payment terms are usually 60 days from the date of invoice issued according to the contractual terms.

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

Revenues from services: Revenues are recognised over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided, i.e., under the percentage-of-completion method as described above. Payment terms are usually 60 days from the date of invoice issued according to the contractual terms.

Sale of goods: Revenues are recognised at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 60 days.

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

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

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

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

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

Costs for development activities are capitalised when the recognition criteria in IAS 38, Intangible Assets 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.

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

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

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

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

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. Any land and construction in progress are not depreciated. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Leasehold improvements	2 to 15 years
Technical machinery & equipment	generally 10 years
Furniture & office equipment	generally 5 years
Equipment leased to others	generally 3 to 7 years

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.

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

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. Net realisable value corresponds to the estimated selling price net of remaining costs of completion and selling. Determining net realisable value of inventories involves accounting estimates of quantity, technical and price risks.

Contract balances

Contract assets: A contract asset is the right to consideration in exchange of goods and services transferred to the customer. If the Company accomplishes performance obligations by transferring goods and services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration which is conditional.

Trade receivables: A receivable represents a company's right to an amount of consideration that is unconditional i.e. only the passage of time is required before the payment of the consideration is due. Valuation allowances for credit risks are made for contract assets and receivables in accordance with the accounting policy for financial assets measured at amortised cost.

Contract liabilities: A contract liability is the obligation to transfer goods or services to a customer which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when a payment is made or when a payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

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

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

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

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 27.

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 9. 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. Lease liabilities are subsequently measured at amortised cost using the effective interest method. They are remeasured in case of modifications or reassessments of the lease.

Derivative financial instruments — Derivative financial instruments, such as foreign currency exchange contracts, are measured at fair value and classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognised either in the Statement of Income or, in the case of a cash flow hedge, in line item *Other comprehensive income*, net of income taxes (applicable deferred income tax). Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

Cash flow hedges — The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognised in line item *Other comprehensive income*, net of income taxes (applicable deferred income tax), and any ineffective portion is recognised immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

Leases — The Company leases properties and motor vehicles and the Company sub leases property to other Siemens Energy Group companies in the UK. 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). The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Incremental borrowing rates are determined monthly and depend on the term, country, currency and start date of the lease.

Lessor

The Company leases mainly land and buildings. Rental contracts are typically made for fixed periods and lease terms are negotiated on an individual basis and contain a wide range of different terms. Leases are classified as either finance or operating leases, determined based on whether substantially all the risks and rewards incidental to ownership of an underlying asset are transferred. If this is the case, the lease is classified as a finance lease; if not, it is an operating lease. Receivables from finance leases are recognised at an amount equal to the net investment in the lease. The assets underlying the operating leases are presented in Property, plant and equipment and depreciated on a straight-line basis over their useful lives or to their estimated residual value. Operating lease income is recognised on a straight-line basis over the lease term.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract. When the Company is an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head-lease, not with reference to the underlying asset. If a head-lease is a short-term lease to which the Company applies the practical expedients in IFRS 16, it classifies the sub-lease as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. Although the risks associated with rights that the Company retains in underlying assets are not considered to be significant, the Company employs strategies to further minimise these risks. For example, any risks such as wear and tear would be recovered through inter-company recharging in order to manage these risks.

Pension costs and other post-retirement benefits

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

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

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

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

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

Share–based payments — The Company participates in Siemens Energy AG share plans. Share-based payment awards at Siemens Energy are predominantly designed as equity-settled. Fair value is measured at grant date and expensed over the vesting period. Fair value is determined as the market price of the underlying shares, considering dividends during the vesting period to which the grantees are not entitled as well as market conditions and non-vesting conditions, if applicable.

Share-based payment awards may be forfeited if the employment of the beneficiary terminates prior to the expiration of the vesting period. At Siemens Energy Group level, these share-based payment plans are predominantly designed and accounted for as plans with settlement in shares. In accordance with IFRS 2, the fair value of awards/share matching granted is recognised as an employee expense with a corresponding increase in the capital contribution reserve in equity.

The Company's employees are eligible for share-based payment awards under the Group share plans disclosed in note 26. Any expected payments to be made to the Siemens Energy AG, in respect of these plans is deducted from the capital contribution reserve in equity over the vesting period, to the extent that expenses have been recorded. Any additional payments are charged directly to the Statement of Income.

New and amended standards effective for the year ended September 30, 2022:

COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16

In March 2021, the IASB amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. This was effective for annual periods beginning on or after January 1, 2021 (October 1, 2021 for the Company). The Company is not impacted by these amendments, as it did not receive any rent concessions.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment was applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. This was effective for annual periods beginning on or after January 1, 2022. The Company did an early adoption and have not noted any material impact on transition.

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, 2022 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

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively and are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. This is effective for annual periods beginning on or after January 1, 2022 (October 1, 2022 for the Company). The Company is not expected to have an impact by these amendments on transition.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). This is effective for annual periods beginning on or after January 1, 2022 (October 1, 2022 for the Company) and intended to provide clarity and help ensure consistent application of the standard. The Company is not expected to have an impact by these amendments on transition.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. This is effective for annual periods beginning on or after January 1, 2023 (October 1, 2023 for the Company). The impact for this amendment is currently being assessed by the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments may impact the accounting policy disclosures of entities, determining whether accounting policies are material or not requires use of judgement. This is effective for annual periods beginning on or after January 1, 2023 (October 1, 2023 for the Company). The impact for this amendment is currently being assessed by the Company.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. This is effective for annual periods beginning on or after January 1, 2023 (October 1, 2023 for the Company). The impact for this amendment is currently being assessed by the Company.

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

In January 2020, IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities (right to defer settlement) as current or non-current. The amendment is still going through the consultation process and hence proposed effective date is currently scheduled for no earlier than January 1, 2024 (October 1, 2024 for the Company).

3. Revenue

Revenue is earned from the business category of Gas and Power.

Timing of revenue recognition

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

	2022		2021	
	Within one year	**More than one year**	Within one year	More than one year
Gas and Power	**510,667**	**1,008,981**	373,481	542,332

Contract balances

	2022	2021
Trade receivables	**99,964**	42,742
Contract assets	**83,733**	139,165
Contract liabilities	**(151,531)**	(75,934)

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Also refer to note 9.

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

Information based on geography of customers for the Company is as follows:

	2022	2021
UK	**386,105**	466,176
Europe	**50,997**	46,677
Rest of world	**27,989**	22,608
	465,091	535,461

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

	2022	2021
Net foreign exchange gains	**(1,458)**	(369)
Depreciation of property, plant and equipment (see note 15)	**7,274**	11,246
Amortisation of intangible assets (see note 14)	**2,729**	2,766
Lease expenses	**-**	2,368
Staff costs (see note 5)	**112,593**	110,311
Grants received	**(227)**	(135)
Auditor's remuneration:		
- audit of financial statements	**357**	340

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2021: £nil).

Lease expenses in prior year were related to a reduction in the finance lease receivable balance (note 10) due to the changes in the discount rates.

Grants received in the current year relate to the funding for the SFA (Skills Funding Agency) with regard to training and educational purposes. In the prior year, grants received were related to the funding from the Coronavirus Job Retention Scheme (furlough refunds) and SFA.

Operating leases

The Company has earned an operating lease rental income on the properties of £225k (2021: £684k) in the year.

Operating lease rentals receivable maturity analysis

Operating lease receivable due within	**2022**
One year	225
Two to five years	900
Six years and above	675

5. Staff numbers and costs

	2022	2021
Wages and salaries	**93,228**	92,176
Social security costs	**10,317**	9,940
Expenses relating to pension plans and employee benefits	**9,048**	8,195
	112,593	110,311

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

The average number of employees (including executive directors) during 2022 and 2021 was 1,391 and 1,414, 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:

	2022	2021
	Number	Number
Operations	**1,085**	1,096
Sales and marketing	**147**	162
Administrative	**160**	156
	1,391	1,414

6. Directors' emoluments

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

	2022	2021
Emoluments receivable	**756**	1,342
Employer contributions to money purchase schemes	**-**	4
	756	1,346

The directors of the Company are also directors of fellow Siemens Energy Group companies in the UK. At the year end, two of the directors were remunerated by the Company and one by a Group company 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 of the highest paid director was £439k (2021: £616k). None of the directors are members of the defined contributions scheme or defined benefit scheme. Share-based payments are described in note 2. One (2021: 1) director has qualifying services shares receivable from a long-term incentive scheme.

7. Interest income and interest expense

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

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

	2022	2021
Interest income*	**938**	748
Interest income - negative income on financial assets	**(3)**	(53)
Interest income, net	**935**	695
Interest expense*	**(2,576)**	(1,556)
Interest expense, net	**(2,576)**	(1,556)
Interest income from pension plans and similar commitments	**3,874**	3,446
Interest expense from pension plans and similar commitments	**(3,880)**	(3,456)
Interest expense from pension plans and similar commitments - net	**(6)**	(10)
Thereof: Interest expense of operations, net	**17**	(62)
Thereof: Other interest income, net	**(1,658)**	(799)

*Above interest numbers include the below lease interest income and expense:

Interest income on finance lease receivables £624k (2021: £748k)

Interest expense on lease liabilities (£626k), (2021: £647k)

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

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

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

8. Taxes

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

	2022	2021
Current tax:		
UK corporation tax	**2,624**	(1,205)
Foreign income taxes	**37**	22
Adjustments for prior years	**958**	1,287
	3,619	104
Deferred tax:		
Origination and reversal of temporary differences - current year	**63**	(179)
Origination and reversal of temporary differences - prior years	**(1,190)**	(1,591)
Deferred tax rate change adjustment	**20**	7,493
	(1,107)	5,723
Tax expense	**2,512**	5,827

Of the deferred tax (credit)/expense, (£1,127k) and (£1,770k) relates to the origination and reversal of temporary differences in 2022 and 2021 respectively.

For the years ended September 30, 2022 and 2021, the Company was subject to UK corporation tax at a rate of 19%. The total tax expense differs from the amounts computed by applying the statutory UK tax rate as follows:

	2022	2021
Net income / (loss) before tax	**14,019**	(9,221)
Tax at 19% (2021: 19%)	**2,664**	(1,752)
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	**31**	372
Over provided in prior years - deferred tax	**(1,190)**	(1,591)
Under provided in prior years - current tax	**958**	1,287
Irrecoverable foreign tax and others	**29**	18
Deferred tax rate change adjustment	**20**	7,493
Total income tax expense for the year	**2,512**	5,827

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).

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

	2022	2021
Deferred tax assets:		
Property, plant and equipment	-	797
Pension plans and similar commitments	**330**	671
Provisions	**1,026**	-
Deferred tax assets	**1,356**	1,468
Deferred tax liabilities:		
Other intangible assets	**(1,641)**	(2,329)
Property, plant and equipment	**(198)**	-
Provisions	-	(57)
Deferred tax liabilities	**(1,839)**	(2,386)
Deferred tax liabilities - net	**(483)**	(918)

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.

Management considers it probable that the future operations will generate sufficient taxable income to realise the deferred tax assets.

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

	2022	2021
Deferred tax liabilities balance as at beginning of year	**(918)**	(1,649)
Income tax presented in the Statement of Income	**1,107**	(5,722)
Changes in items of the Statement of Comprehensive Income*	**(672)**	7,178
Others	-	(725)
Deferred tax liabilities balance as at end of year	**(483)**	(918)

* Changes in items of the Statement of Comprehensive Income is split as: deferred tax charge on current year remeasurement gains movement of (£80k) (2021: credit of £7,255k) and deferred tax charge on (losses)/gains on derivative financial instruments (£592k) (2021: charge of £77k).

9. Trade and other receivables

	2022	2021
Trade receivables from the sale of goods and services	**99,964**	42,742
Amounts due from Group companies	**88,000**	245
	187,964	42,987

Trade and other receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Terms and conditions relating to receivables from Group companies, refer to note 28.

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

	2022	2021
Valuation allowance as of beginning of the year	**(361)**	(2,252)
Creation	**(1,002)**	(6,025)
Reversal	**523**	7,916
Valuation allowance as of end of the year	**(840)**	(361)

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

	Gross 2022	Allowance 2022	Gross 2021	Allowance 2021
Current	**97,641**	**(66)**	34,171	(20)
30 days overdue	**2,168**	**(5)**	4,630	(4)
31 - 60 days overdue	**120**	**-**	1,429	(34)
61 – 90 days overdue	**-**	**-**	1,032	(1)
91+ days overdue	**875**	**(769)**	1,841	(302)
	100,804	**(840)**	**43,103**	(361)

10. Other financial assets

	2022	2021
Current		
Derivative financial assets	**6,205**	3,530
Finance lease receivable*	**3,146**	2,761
Other current financial assets	**582**	746
	9,933	7,037
Non-current		
Finance lease receivable*	**24,862**	25,375
Other financial assets	**75**	75
	24,937	25,450

Maturity analysis – contractual undiscounted cash flows

Finance lease receivable* due within	**£'000**
One year	3,736
Two to five years	11,740
Six years and above	20,489

*Finance lease receivable balances above relates to land and buildings (including fixtures and fittings), being leased to other Group companies in the UK.

11. Inventories

	2022	2021
Raw materials and supplies	**996**	529
Work in progress	**2,935**	3,651
Costs and earnings in excess of billings on uncompleted contracts	**14,427**	10,578
Finished goods and products held for resale	**12,337**	1,130
Advances to suppliers	**-**	1,064
	30,695	16,952

Cost of sales include inventories recognised as an expense amounting to £413,958k and £502,577k, respectively, in fiscal year 2022 and 2021.

12. Other current assets

	2022	2021
Prepaid expenses	**1,537**	968
Other	**76**	311
	1,613	1,279

13. Goodwill

	2022	2021
Cost		
Balance at beginning of year	**269,204**	269,204
Balance at end of year	**269,204**	269,204
Accumulated impairment losses		
Balance at beginning of year	**(7,725)**	(7,725)
Balance at end of year	**(7,725)**	(7,725)
Net book value		
Balance at beginning of year	**261,479**	261,479
Balance at end of year	**261,479**	261,479

Goodwill balance at the end of year relates to acquisition of the power transmission and distribution ('PTD') business in 2006 amounting to £9,621k and electricity generation and distribution (Gas and Power) businesses in 2020 amounting to £259,583k.

There was no movement in the goodwill balance in the current or previous year.

The Company performs the mandatory annual impairment test in the last quarter of each financial year, in accordance with the accounting policy stated in note 2. The recoverable amounts for the annual impairment test in 2022 and 2021 for the Company's divisions (or equivalent) were estimated to be higher than the carrying amounts. Key assumptions on which management has based its determinations of the fair value less costs to sell for the divisions' or equivalents' carrying amount include terminal value growth rates up to 1.6% in 2022 and 1.6% in 2021, respectively and after-tax discount rates of 8.5% in 2022 and 8.5% in 2021. Where possible, reference to market prices is made.

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

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

Sensitivity to change in assumptions

The recoverable amount of the cash-generating unit is higher than the carrying amount as at September 30, 2022. The terminal value growth rate used in estimating the recoverable amount for the Company was 1.6%. A reduction in the terminal value growth rate by 0.5% would not result in an impairment in the carrying value of goodwill.

The after-tax discount rates used in estimating the recoverable amount for the Company was 8.5%. An increase in the after-tax discount rate of 1.0% would not result in an impairment in the carrying value of goodwill.

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

14. Other intangible assets

	Software and other intangible assets
Cost	
At October 1, 2020	34,563
Additions	23
Retirements	(37)
At September 30, 2021	34,549
At October 1, 2021	**34,549**
Additions	**122**
At September 30, 2022	**34,671**
Amortisation	
Accumulated at October 1, 2020	22,286
Charge for the year	2,766
Retirements	(35)
At September 30, 2021	25,017
At October 1, 2021	**25,017**
Charge for the year	**2,729**
At September 30, 2022	**27,746**
Net book value	
At October 1, 2020	12,277
At September 30, 2021 and October 1, 2021	9,532
At September 30, 2022	**6,925**

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

15. Property, plant and equipment

	Land & buildings	Technical machinery & equipment	Furniture & office equipment	Construction in progress	Total property, plant & equipment
Cost					
At October 1, 2020	38,791	39,614	11,368	725	90,498
Additions	799	1,415	5,752	367	8,333
Disposals	(1,275)	(865)	(4,261)	-	(6,401)
Reclassifications of assets	36	558	202	(796)	-
At September 30, 2021	38,351	40,722	13,061	296	92,430
At October 1, 2021	**38,351**	**40,722**	**13,061**	**296**	**92,430**
Additions	**980**	**2,180**	**2,869**	**790**	**6,819**
Disposals	**(973)**	**(535)**	**(559)**	**(122)**	**(2,189)**
Transfers to / from Group companies	**-**	**-**	**42**	**-**	**42**
Reclassification of asset	**(18)**	**55**	**125**	**(162)**	**-**
At September 30, 2022	**38,340**	**42,422**	**15,538**	**802**	**97,102**
Accumulated depreciation and impairment					
At October 1, 2020	13,907	27,472	6,930	-	48,309
Charge for the year	3,291	5,719	2,236	-	11,246
Disposals	(124)	(802)	(1,037)	-	(1,963)
Impairment	80	-	104	-	184
At September 30, 2021	17,154	32,389	8,233	-	57,776
At October 1, 2021	**17,154**	**32,389**	**8,233**	**-**	**57,776**
Charge for the year	**3,419**	**1,498**	**2,357**	**-**	**7,274**
Disposals	**(853)**	**(534)**	**(334)**	**-**	**(1,721)**
Transfers to /from Group companies	**-**	**-**	**29**	**-**	**29**
Impairment	**-**	**-**	**6**	**-**	**6**
Reclassification of asset	**(18)**	**-**	**18**	**-**	**-**
At September 30, 2022	**19,702**	**33,353**	**10,309**	**-**	**63,364**
Net book value					
At October 1, 2020	24,884	12,142	4,438	725	42,189
At September 30, 2021	21,197	8,333	4,828	296	34,654
At September 30, 2022	**18,638**	**9,069**	**5,229**	**802**	**33,738**

As of September 30, 2022, contractual commitments for the purchase of property, plant and equipment amount to £1,055k (2021: £853k).

As of September 30, 2022, the cost of fully depreciated assets included above is £46,079k (2021: £41,183k).

Included in the above Property, plant and equipment are the below right-of-use assets. Additional information on right of use assets by class of assets is as below:

Right of Use assets	Land & buildings	Fleet	Total
Cost			
At October 1, 2020	19,647	3,928	23,575
Additions	-	4,984	4,984
Additions due to lease reassessment/modifications	748	98	846
Disposals due to lease reassessment/modifications	(1,175)	(2,936)	(4,111)
At September 30, 2021	19,220	6,074	25,294
At October 1, 2021	**19,220**	**6,074**	**25,294**
Additions	**740**	**1,562**	**2,302**
Additions due to lease reassessment/modifications	**47**	**52**	**99**
Disposals due to lease reassessment/modifications	**(308)**	**(404)**	**(712)**
At September 30, 2022	**19,699**	**7,284**	**26,983**
Accumulated depreciation			
At October 1, 2020	1,663	1,350	3,013
Charge for the year	2,835	1,572	4,407
Disposals due to lease reassessment/modifications	(25)	(108)	(133)
Impairments	80	-	80
At September 30, 2021	4,553	2,814	7,367
At October 1, 2021	**4,553**	**2,814**	**7,367**
Charge for the year	**2,800**	**1,621**	**4,421**
Disposals due to lease reassessment/modifications	**(189)**	**(182)**	**(371)**
At September 30, 2022	**7,164**	**4,253**	**11,417**
Net book value			
At October 1, 2020	17,984	2,578	20,562
At September 30, 2021 and October 1, 2021	14,667	3,260	17,927
At September 30, 2022	**12,535**	**3,031**	**15,566**

The above additions/(disposals) due to lease reassessment/modifications are related to a change in the lease terms upon triggering events (extensions or break clauses).

16. Other current financial liabilities

	2022	2021
Derivative financial liabilities	**3,444**	2,060
Other financial liabilities	**1,785**	374
	5,229	2,434

17. Trade and other payables

	2022	2021
Trade payables	**52,722**	63,737
Amounts due to Group companies	**15,203**	9,824
	67,925	73,561

Trade and other payables are non-interest bearing and are generally on terms of 30 to 90 days. Terms and conditions relating to amounts due to Group companies, refer to note 28.

18. Other current liabilities

	2022	2021
Payroll and social security taxes	**3,704**	4,171
Bonus obligations	**9,721**	13,711
Other employee related costs	**3,223**	2,972
Other tax liabilities	**22,937**	4,682
Other accrued liabilities	**36,636**	32,591
	76,221	58,127

Other employee related costs primarily include vacation payments, accrued overtime and service anniversary awards.
Other tax liabilities relate to net VAT payable at the year-end.
Other accrued liabilities primarily relate to the costs of third-party workers as well as costs specific for the key projects.

19. Debt

	2022	2021
Short-term debt	**150,000**	-
Long-term debt from Group company	-	150,000

The debt was undertaken on September 24, 2021, from a fellow Group company - Siemens Energy Global GmbH & Co. KG, at a fixed interest rate of 1.28% per annum, with the interest and capital repayable on the maturity date of September 25, 2023, making a short-term debt in the current financial year.

20. Lease liabilities

	2022	2021
Lease liabilities less than 1 year	**5,614**	5,096
Lease liabilities more than 1 year	**22,970**	24,908

Lease liabilities relate to right of use assets of property plant and equipment (land and buildings and fleet) under IFRS16. Some land and buildings (right of use assets and owned) have been leased further to other Group companies, resulting in a de-recognition of property plant and equipment in the Company, replaced with a lease receivable balance (see note 10 other financial assets).

Maturity analysis – contractual undiscounted cash flows

Lease liability due within	**2022**
One year	6,473
Two to five years	16,989
Six years and above	7,881

21. Post-employment benefits

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

Defined benefit plans

VA Tech UK Pension Scheme

The VA Tech UK Pension Scheme ('Scheme') is a defined benefit scheme with assets held in separate trustee administrated funds. The amount of contributions to be paid is decided jointly by the employer (the Company) and the trustees of the Scheme. Assets held in trust are governed by UK regulations and practice. The Scheme's investment strategy is decided by the trustees, in consultation with the employer. The board of trustees must be composed of representatives of the employer and Scheme participants in accordance with the Scheme's legal documentation.

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

Movement in the net amount recognised of the Scheme:

	2022	2021
Net amount recognised of the Scheme at beginning of year	**(314)**	(624)
Past service cost	**-**	(21)
Other finance cost	**(6)**	(10)
Contributions paid	**-**	320
Remeasurements included in Statement of Comprehensive Income	**320**	21
Net amount recognised of the Scheme at end of year	**-**	(314)

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

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2022. The Scheme's assets are stated at their market values at September 30, 2022.

In 2022, the Scheme covers 1,356 participants, including 90 active employees, 428 former employees with vested benefits and 838 retirees and surviving dependents.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at September 30, 2022. The present values of the defined benefit obligation ("DBO"), the related current service cost and any past service costs were measured using the projected unit credit method.

The Scheme is closed to new entrants.

Reconciliation of funded status to Statement of Financial Position:

	2022	2021
Fair value of Scheme assets	**127,594**	198,140
Present value of funded defined benefit obligations	**(124,670)**	(196,772)
	2,924	1,368
Effects due to asset ceiling write off	**(2,924)**	(1,682)
Deficit recognised in the Statement of Financial Position	**-**	(314)

Defined benefit costs are as follows:

	2022	2021
Past service costs	**-**	21
Interest expense	**3,846**	3,430
Interest income	**(3,874)**	(3,446)
Interest on IFRIC 14 additional liability	**34**	26
Components of defined benefit costs recognised in the Statement of Income	**6**	31
Return on Scheme assets (excluding amounts included in net interest expense and net interest income)	**63,469**	3,799
Remeasurement gains	**(64,997)**	(3,892)
Change in additional liability **	**1,208**	72
Remeasurements of defined benefit scheme recognised in the Statement of Comprehensive Income	**(320)**	(21)
Defined benefit pension scheme costs	**(314)**	10

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

The past service cost relates to the additional liability for equalising pension benefits for men and women in relation to guaranteed minimum pension benefits.

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

	2022	2021
Defined benefit obligation at beginning of year	**196,772**	210,200
Past service costs	**-**	20
Interest expense	**3,846**	3,429
Remeasurements:		
Remeasurement losses/(gains) from changes in demographic assumptions	**(2,054)**	1,920
Remeasurement gains from changes in financial assumptions	**(71,343)**	(3,830)
Experience losses/(gains)	**8,400**	(1,982)
Benefits paid	**(10,951)**	(12,985)
Defined benefit obligation at end of year	**124,670**	196,772

The total DBO at the end of the year 2022 includes £12,540k for active employees (2021: £34,062k), £32,471k for former employees with vested benefits (2021: £58,738k) and £79,659k for retirees and surviving dependents (2021: £103,972k).

The weighted average duration of the DBO was 15.1 years (2021: 18.7 years).

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

	2022	2021
Fair value of Scheme assets at beginning of year	**198,140**	211,159
Interest income	**3,874**	3,445
Return on Scheme assets (excluding amounts included in interest income and interest expense)	**(63,469)**	(3,799)
Employer contributions	**-**	320
Benefits paid	**(10,951)**	(12,985)
Fair value of Scheme assets at end of year	**127,594**	198,140

Change in irrecoverable surplus (Change in effect of asset ceiling)

	2022	2021
Irrecoverable surplus at beginning of year	**(1,682)**	(1,583)
Interest cost on irrecoverable surplus	**(34)**	(26)
Change in irrecoverable surplus in excess of interest	**(1,208)**	(72)
Other	**-**	(1)
Irrecoverable surplus at end of year (Effects due to asset ceiling write off)	**(2,924)**	(1,682)
Additional liability due to IFRIC 14 at beginning of year	**(314)**	(624)
Additional liability due to IFRIC 14	**320**	320
Interest on IFRIC 14 additional liability	**(6)**	(10)
Additional liability due to IFRIC 14 at end of year **	**-**	(314)

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

Actuarial assumptions:

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

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

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

Main financial assumptions:

	2022	2021
	% p.a.	% p.a.
Inflation (RPI)	**3.60**	3.20
Inflation (CPI)	**2.90**	2.50
Rate of general long-term increase in salaries	**3.40**	3.00
Rate of increase to pensions in payment		
-inflation capped at 5% (RPI)	**3.20**	3.10
-inflation capped at 3% (RPI)	**2.40**	2.50
-inflation capped at 5% (CPI)	**2.80**	2.50
-inflation with a floor of 3% and a cap of 5% (RPI)	**2.20**	3.10
Discount rate for Scheme liabilities	**5.03**	1.99

Mortality assumptions:

The post-retirement mortality assumptions used in valuing the liabilities of the Scheme are based on the standard SAPS tables scaled by a factor of 1.07 (2021: 1.03) for males and 1.10 (2021: 1.09) for females. In addition, there is an allowance for future longevity improvements in line with the central CMI2021 (2021: CMI2020) projections with a long term rate of improvement of 1.25% (2021: 1.25%) p.a. The changes in mortality assumptions were adopted to reflect up-to-date conditions as of the remeasurement date.

Sensitivity analysis:

A one-half-percentage-point change of the established assumptions mentioned before, used for the calculation of the DBO as of September 30, 2022, would result in the following increase (decrease) of the DBO:

	Effect on DBO as of September 30, 2022 due to	
	One-half % Increase	**One-half % Decrease**
Discount rate	**(8,386)**	9,294
Rate of compensation increase	**54**	(52)
Rate of pension progression	**5,077**	(5,642)

In order to determine the longevity risk, the mortality rates were reduced by 10% for all beneficiaries. The impact on the DBO amounts to £3,220k as of September 30, 2022. i.e. the adjustment of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a male employee aged 55 years as of September 30, 2022, increases by 0.8 years.

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

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

Disaggregation of Scheme assets:

The asset allocation of the Scheme is as follows:

	2022			2021		
Asset Class	**Quoted market price in active market**	**No quoted market price in active market**	**Total**	Quoted market price in active market	No quoted market price in active market	Total
Fixed income securities:						
Government bonds	**2,066**	**-**	**2,066**	-	-	-
	2,066	**-**	**2,066**	-	-	-
Alternative investments:						
Other	**-**	**122,798**	**122,798**	-	192,040	192,040
	-	**122,798**	**122,798**	-	192,040	192,040
Cash and other assets	**2,729**	**-**	**2,729**	6,100	-	6,100
Total	**4,795**	**122,798**	**127,593**	6,100	192,040	198,140

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

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

Future cash flows:

Employer contributions expected to be paid to the Scheme in 2023 are £nil and employer deficit funding contributions expected to be paid to the Scheme in 2023 are £nil.

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

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

The last funding valuation was carried out as at 5 April 2021. Since the scheme is in surplus, the Company is not paying deficit contributions at present. The next funding valuation is due no later than 5 April 2024.

Expected pension benefit payments:

	September 30,
2023	**7,820**
2024	**7,995**
2025	**8,174**
2026	**8,357**
2027	**8,545**
2028-2031	**45,682**

Defined contribution plan

The Company participates in a defined contribution pension plan. The pension cost charge for the period represents contributions payable by the Company to the Scheme and amounted to £9,048k in 2022 (2021: £8,175k).

22. Provisions

Provisions changed during 2022 as follows:

	Warranties	Order related losses and risks	Asset retirement obligations	Onerous lease obligations	Other	Total
Balance at beginning of year	13,111	18,676	301	129	9,126	41,343
Additions	9,893	9,275	-	313	1,259	20,741
Usage	(2,150)	(11,459)	-	(129)	(4,448)	(18,186)
Reversals	(2,259)	(307)	-	-	(1,067)	(3,633)
Balance at end of year	**18,595**	**16,185**	**301**	**313**	**4,870**	**40,264**

	2022	2021
Current provisions	**23,551**	29,013
Non-current provisions	**16,713**	12,330

Warranties

Warranties relate to products and services sold. See note 2 for further information concerning the Company's policy for estimating warranty provisions. The Company's provisions are generally expected to result in cash outflows during the next 1 to 5 years.

Order related losses and risks

Provisions for order related losses and risks are recognised for anticipated losses on uncompleted construction, sales and leasing contracts. The Company's provisions are generally expected to result in cash outflows during the next 1 to 5 years.

Other

Other provisions are recognised in relation to land and buildings, subcontractor claims and project retentions. The Company's provisions are generally expected to result in cash outflows during the next 1 to 5 years.

23. Other liabilities - non-current

	2022	2021
Other accrued liabilities	**1,281**	1,507
	1,281	1,507

The balance for both years above includes service anniversary awards of £1,208k, due after one year. Remaining balance comprises of accruals relating to projects, due after one year.

24. Share capital

Allotted, called up and fully paid:

	2022	2021
Balance at beginning of year (167,500k Ordinary Shares of £1 each)	**167,500**	167,500
Balance at end of year (167,500k Ordinary Shares of £1 each)	**167,500**	167,500

25. Commitments and contingencies

Guarantees and other commitments

The Company has provided bank guarantees in respect of contractual obligations totalling £111,027k (2021: £26,611k) as part of the business operations. These agreements have terms typically ranging between 1 and 5 years and the Company fully indemnifies each guarantee.

26. Share-based payments

Siemens Energy AG share plans

In the previous financial year, Siemens Energy AG rolled out the below new share plans for its employees globally. Share-based payment awards may be settled in treasury shares of Siemens Energy AG or in cash. Share-based payment awards may be forfeited if the employment of the beneficiary terminates prior to the expiration of the vesting period. At Siemens Energy Group level, these share-based payment plans are predominantly designed and accounted for as plans with settlement in shares.

Total pre-tax expense for share-based payment recognised in the Company net income for continuing and discontinued operations amounted to £497k (2021: £428k) for the year and refers primarily to equity-settled awards.

(A) Stock Awards

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

Performance Oriented Stock Awards (PoSA)

The Stock Awards (equity settled) are granted once a year in November. They are subject to a four year vesting period, at the end of which Siemens Energy shares are being transferred. At the beginning of the vesting period, the target amount (in EUR) is converted into Stock Awards and multiplied at the end of the vesting period by the overall target achievement of the three KPIs. The target achievement for Total Shareholder Return (TSR), Earnings per Share (EPS) and development of Siemens Energy in terms of environmental, social and governance (ESG), can range from 0% to 200%. The overall target achievement is the weighted average of these three target achievement levels. If the overall target achievement is below 200%, a correspondingly reduced number of shares will be transferred.

Ratable Vesting Stock Awards

The Stock Awards (equity settled) are subject to a ratable vesting. They entitle recipients to receive Siemens Energy shares free of charge in rates of 25% of the initial grant each year over a period of four years. They are not tied to the achievement of any KPIs. The grant takes place once a year in November. There is also however a special recognition that enables a grant to take place in February.

Spin Off Incentive Program

The Spin Off Incentive Program was created to thank and reward Siemens Energy employees (including senior management), for their commitment and dedication to the successful listing of Siemens Energy and at the same time to motivate them to continue doing their best for the development of the Company in the future.

Employee Spin Off Incentive Program

Under the Employee Spin Off Incentive Program (equity settled), employees will receive a grant of Stock Awards worth 3% of their Total Target Cash (TTC), as of September 1, 2020. These Stock Awards entitle the employee to receive Siemens Energy shares at the end of the vesting period in September 2023 – for every Stock Award they receive one share of the Company (provided the plan rules are met). The number of shares transferred to the employee at the end of the vesting period is tied to the performance of the Siemens Energy share price during this time. The better the share price develops the more shares employees will get. In the best case, employees will receive shares with a value of 18% of their TTC as of September 1, 2020.

Spin Off Top 200

Managing Board members, the Siemens Energy Management (SEM) as well as other senior managers below the board are encouraged to continuously hold a defined percentage of their annual base salary in shares of Siemens Energy. The percentage is determined according to their level of responsibility within the Siemens Energy Group and ranges from 50% up to 300% for the CEO. The decision to participate is entirely voluntary and participants have 4.5 years to accumulate Siemens Energy shares and meet their individual Share Ownership target. Target value 50% - 100% of base salary, thereof 25% cash bonus with payment in 60 days after the Spin-off. 75% Incentive Stock Award if the target ownership amount is achieved.

Further details regarding the fair value of Stock Awards granted is disclosed in the Siemens Energy AG 2022 annual report.

In the year ended September 30, 2022, Siemens Energy AG granted 42,675 (2021: 271,546) stock awards to 1,536 (2021: 1,314) Company employees. Details on stock award activity and weighted average grant date fair value are summarised in the table below:

Siemens Energy AG	**Awards**	**Weighted average grant date fair value (€)**	Awards	Weighted average grant date fair value (€)
	2022	**2022**	2021	2021
Non-vested, beginning of period	**262,486**	**16.37**	-	-
Granted	**42,675**	**20.22**	271,546	16.40
Cashed out	**-**	**-**	(285)	14.94
Vested	**(8,688)**	**25.84**	-	-
Forfeited	**(15,050)**	**17.06**	(8,775)	17.31
Merger	**177**	**25.16**	-	-
Non-vested, end of year	**281,600**	**16.63**	262,486	16.37
Weighted average vesting period in years	**1.193**		1.972	

Fair value was determined as the market price of Siemens Energy shares less the present value of dividends expected during one to four year vesting period. Total fair value of stock awards granted in 2022 amounted to €863k (2021: €4,454k).

(B) Direct Match Program (equity settled)

The Direct Match Program (DMP) has been designed to offer its employees worldwide the possibility to easily become an owner of the Siemens Energy AG shares by investing in shares of Siemens Energy under the program, an employee may benefit from additional matching shares.

The maximum investment amount is 5% of the employees Total Target Cash (TTC). The chosen investment amount is withheld via two equal payroll deductions (50% in January and 50% in February after the offer period). Shares will be purchased on the 10th trading day in March at the Frankfurt Stock Exchange after the offer period. Together with the purchased shares, employees will directly receive additional matching shares in a ratio of 3:1. That means for every 3 shares purchased, employees will receive 1 additional matching share. As soon as all shares have been allocated to employee's online account, a 12-month blocking period starts after which they can freely dispose of all their shares.

In the year ended September 30, 2022, there were 12,111 (2021: 10,478) shares granted to 357 (2021: 449) Company employees.

27. 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:

	2022	2021
Financial assets		
Loans and receivables	**216,629**	71,944
Cash and cash equivalents	**3**	-
Derivatives designated in a hedge accounting relationship	**4,790**	126
Derivatives not designated in a hedge accounting relationship	**1,415**	3,404
	222,837	75,474
Financial liabilities		
Financial liabilities measured at amortised cost	**248,294**	253,939
Derivatives designated in a hedge accounting relationship	**2,322**	1,050
Derivatives not designated in a hedge accounting relationship	**1,122**	1,010
	251,738	255,999

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

	2022		2021	
	Fair value	**Carrying value**	Fair value	Carrying value
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	**3**	**3**	-	-
Trade and other receivables	**187,964**	**187,964**	42,987	42,987
Other current financial assets	**3,728**	**3,728**	3,507	3,507
Other financial assets - non-current	**24,937**	**24,937**	25,450	25,450
	216,632	**216,632**	71,944	71,944
Financial liabilities measured at cost or amortised cost				
Trade payables	**67,925**	**67,926**	73,561	73,561
Other current financial liabilities	**157,399**	**157,399**	5,470	5,470
Other financial liabilities - non-current	**22,970**	**22,970**	174,908	174,908
	248,294	**248,294**	253,939	253,939

The fair values of 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.

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

	2022	2021
Financial assets measured at fair value		
Derivative financial instruments	**6,205**	3,530
Not designated in a hedge accounting relationship	***1,415***	*3,404*
In connection with cash flow hedges	***4,790***	*126*
Financial liabilities measured at fair value		
Derivative financial instruments	**3,444**	2,060
Not designated in a hedge accounting relationship	***1,122***	*1,010*
In connection with cash flow hedges	***2,322***	*461*
Embedded derivatives	-	*589*

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

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

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

Fair value hierarchy

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

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

All of the Company's derivative financial instruments as at September 30, 2022 and 2021 are categorised as level 2.

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

	2022	2021
Loans and receivables	**(441)**	377
Derivatives with a hedging relationship	**(150)**	(815)
Derivatives without a hedging relationship	**514**	468
Financial assets measured at amortised cost	**878**	778

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

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

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

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

Collateral

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

Derivative financial instruments and hedging activities

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

Foreign currency exchange risk management

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

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

	2022		2021	
	Asset	**Liability**	Asset	Liability
Foreign currency exchange contracts without hedging relationship	**1,415**	**1,122**	3,404	1,010
Foreign currency contracts in connection with cash flow hedges	**4,790**	**2,322**	126	461
Embedded derivatives	**-**	**-**	-	589
	6,205	**3,444**	3,530	2,060

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

Derivative financial instruments not designated in a hedging relationship

The Company manages its risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and forecast transactions primarily through a Company-wide portfolio approach. Under this approach the Company-wide risks are aggregated centrally, and various derivative financial instruments, primarily foreign exchange contracts, are utilised to minimise such risks. In certain cases, this strategy qualifies for hedge accounting treatment under IFRS 9. Where hedge accounting does not apply, all such derivative financial instruments are recorded at fair value on the Statement of Financial Position, either in line items *Other current financial assets* or *Other current financial liabilities,* and changes in fair values are charged to *net income or loss.*

Hedging activities

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

Cash flow hedges — The effective portion of the changes in fair value of forward exchange contracts that were designated as foreign currency cash flow hedges are recorded in *Other Comprehensive Income* of £2,368k as a gain (2021: loss of £300k). The ineffective portion is recorded in the Statement of Income. During the years ended September 30, 2022 and 2021, £nil and £(246)k, respectively were reclassified from Other Comprehensive Income into net income because the occurrence of the related hedged forecasted transaction was no longer probable.

As of September 30, 2022 and 2021, the maximum length of time over which the Company is hedging its future cash flows associated with foreign currency forecasted transactions is 2 years.

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 £877k in 2022 (2021: £nil).

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 Company's 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, 2022, that defaults in payment obligations will occur.

Market risk

Increasing market fluctuations may result in significant earnings and cash flow 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. 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 covers the specific responsibility for this part of the overall risk management system. At the highest level, the directors retain ultimate accountability. For practical business purposes, the directors delegate responsibilities to key management.

Any market sensitive instruments, including equity and interest-bearing investments that the Company's pension plans hold are not included in the following quantitative and qualitative disclosure. For additional information see note 21.

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 2022 Group annual report. The Company is responsible for recording, assessing, monitoring, reporting and hedging its foreign currency transaction exposure.

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

The tables below show the net foreign exchange transaction exposure by major currencies as of September 30, 2022 and 2021:

As at September 30, 2022	**US$**	**Euro**	**Other**	**Total**
Gross Statement of Financial Position exposure	**604**	**25,589**	**1,037**	**27,230**
Thereof: Financial asset	**758**	**34,088**	**1,568**	**36,414**
Thereof: Financial liabilities	**(153)**	**(8,499)**	**(532)**	**(9,184)**
Gross exposure from firm commitments and anticipated transactions	**(1,823)**	**(29,509)**	**(1,098)**	**(32,430)**
Foreign exchange transaction exposure	**(1,219)**	**(3,920)**	**(61)**	**(5,200)**
Hedge inflows	**1,370**	**44,477**	**243**	**46,090**
Hedge outflows	**(150)**	**(40,230)**	**(520)**	**(40,900)**
Economically hedged exposure	**1,220**	**4,248**	**(278)**	**5,190**
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	**-**	**33**	**(34)**	**(1)**

As at September 30, 2021				
Gross Statement of Financial Position exposure	(864)	(7,126)	262	(7,728)
Thereof: Financial asset	-	7,416	530	7,946
Thereof: Financial liabilities	(864)	(14,542)	(268)	(15,674)
Gross exposure from firm commitments and anticipated transactions	(89)	6,059	1,972	7,942
Foreign exchange transaction exposure	(953)	(1,067)	2,234	214
Hedge inflows	89	16,848	169	17,106
Hedge outflows	-	(15,780)	(2,500)	(18,281)
Economically hedged exposure	89	1,067	(2,331)	(1,174)
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(86)	-	(10)	(96)

It is a Group policy to use 10% to analyse the sensitivity of currency fluctuations.

Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt 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 Siemens Energy Group companies are repayable on demand, but historically other Group companies have not demanded repayment of these intercompany balances.

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

	2023	**2024-2027**	**2028 and thereafter**
Non derivative financial liabilities	**226,183**	**16,989**	**7,881**
Obligations under leases	6,473	16,989	7,881
Trade and other payables	67,925	-	-
Short-term debt	150,000		
Other financial liabilities	1,785	-	-
Derivative financial liabilities	**3,444**	-	-

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2022.

The Company has £15,203k (2021: £9,824k) amounts due to Group companies included in trade and other payables.

Trade payables and other financial liabilities mainly originate from the financing of assets used in Company's 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:

	2022	2021
Cash and cash equivalents	**3**	-
Receivables from Group companies	**87,672**	-
Total liquidity	**87,675**	-
Short-term debt and current maturities of long-term debt	**(150,000)**	-
Payables to Group companies	-	(7,811)
Long-term debt	-	(150,000)
Total debt	**(150,000)**	(157,811)
Net debt	**(62,325)**	(157,811)

In addition to the balances above, which are held with Siemens Energy AG in the Group cash pooling facility, receivables from Siemens Energy Group companies of £28,336k (2021: £28,381k), amounts due to Siemens Energy Group companies of £15,203k (2021: £2,014k) are held outside this facility. Historically other Siemens Energy Group companies have not demanded repayment of these intercompany balances.

Capital Management

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

The current ratio for 2022 was 0.67 (2021: 0.88). The Company also has access to Siemens Energy AG cash pooling arrangement when necessary.

28. Related party transactions

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.

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

	Sales of goods		Other services sold		Purchases of goods		Other services purchased		Interest income		Interest expense	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Other Siemens Energy Group companies	**34,250**	25,531	**346**	258	**163,846**	140,384	**1,655**	1,418	**624**	748	**1,973**	900
Siemens AG Group companies (Associate)	-	-	**1,256**	2,338	**4,997**	6,583	**5,259**	9,506	-	-	-	-

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

(b) Year end balances arising from sales and purchases of goods/services and lease receivables/payables:

	Amounts owed by related parties		Amounts owed to related parties	
	2022	2021	**2022**	2021
Other Siemens Energy Group companies	**28,336**	28,136	**13,246**	469
Siemens AG Group companies (Associate)	**1,264**	284	**24,594**	31,175

The amounts outstanding are unsecured and will be settled in cash, with collection/payment terms of up to 30 days. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

(c) Year end balances arising from loans to / from related parties (including balances held in the Group cash pooling facility):

	Loans owed by related parties		Loans due to related parties	
	2022	2021	**2022**	2021
Other Siemens Energy Group company	**87,672**	-	**151,957**	157,811

No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

29. 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*.

	2022	2021
Short-term employee benefits	**756**	1,342
Post-employment benefits	-	4

The directors of the Company are also directors of fellow Siemens Energy Group companies in the UK. At the year end, two of the directors were remunerated by the Company and one by a Group company 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.

30. Directors' transactions

No such transactions occurred in 2022 or 2021 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the directors (or other key management personnel) that would impact the amounts reported in these financial statements.

31. Subsequent events

There were no significant events after the reporting period.

32. 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 Energy Holding B.V. (formerly Siemens Gas & Power Holding B.V.), a company incorporated in the Netherlands.