



MATERIALS SOLUTIONS LIMITED
Annual report and financial statements
Registered number 09364823
September 30, 2023

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**MATERIALS SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

COMPANY INFORMATION

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

**MATERIALS SOLUTIONS LIMITED
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MATERIALS SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

The directors of Materials Solutions Limited (“the Company”) present the annual report containing a strategic report, directors’ report and the financial statements for the year ended September 30, 2023. In these financial statements, the terms “Siemens Energy” and “Group” refer to Siemens Energy AG and its Group companies.

STRATEGIC REPORT

Principal activities

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

General business review

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The Company remains vigilant of warning signs exhibited in both the global economy and domestic economy. An evaluation of the potential impact of market factors is undertaken regularly by the management so that the Company can respond appropriately. This includes the ongoing consideration of the effects of Britain’s 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, 2023.

The directors have reviewed the recent geopolitical tensions 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 Company continuously updates its business practices with regard to local laws and regulations to ensure business continuity in all working environments.

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 28th UN Climate Change Conference of the Parties (“COP28”). 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.

In the previous financial year, the Group laid foundations for a new corporate structure called Versatile Organisation to Lead Transformation (“VOLT”), which would ensure clearer structures, holistic market access, operational excellence and improved transparency to our customers, partners and the financial market. As a result of this reorganisation, the former Division of the reportable Gas and Power (GP) segment were reassigned into three business areas - Gas Services (GS), Grid Technologies (GT) and Transformation of Industry (TI).

Review of Statement of Income

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

The Company made a net loss for the financial year, net of taxation of £5,931k (2022: £5,265k).

Review of Statement of Financial Position

The Statement of Financial Position changes reflect the operational movements for the year. The Company’s current assets have increased year on year from £11,654k to £13,861k, primarily due to an increase in amounts owed by Group undertakings. Current liabilities have increased from £41,326k to £51,534k, primarily as a result of an increase in amounts owed to Group undertakings.

Review of Statement of Cash Flows

Cash flows from operating activities show an outflow of £5,534k (2022: outflow of £1,694k) in the year, primarily due to the loss for the year. Cash flows from investing activities show an outflow of £6,133k in the year (2022: outflow of £3,314k), primarily due to assets acquired during the year. Cash flows from financing activities show an inflow of £11,667k (2022: inflow of £5,008k) in the year, primarily due to increase in intercompany loan amounts.

Analysis of Financial Key Performance Indicators

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

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.

Section 172(1) Statement

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

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

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

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

Employees

At Siemens Energy, our People Agenda is critical to how we achieve our business priorities by focusing on clear aspired outcomes in three key areas: thriving environment, game changing leaders and vibrant workforce.

Engagement

Key topics, decisions and outcomes influenced by this stakeholder group

Thriving environment:

Siemens Energy is creating an environment for people to be self-directed, to have responsibility, and find meaning in their work. We guide this by setting standards through our Inclusion & Diversity (I&D) Framework, applying new ways of working, and establishing cross-organisational networks.

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.

Employees can 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.

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Game-changing leaders:

Leaders navigate through changing situations by providing clarity and direction in uncertain conditions. They bring new strategies, new mindsets, and business transformation to life, triggered by outside market changes and role modelling our Leadership Essentials.

We have three strategic drivers that form the basis of our plan for Inclusion and Diversity: (1) Equity: We recognise the unique needs of each individual or group and we remove barriers and create opportunities under which everyone can participate on equal terms. (2) Belonging: We make our mix work by creating an inclusive culture where people feel respected, engaged, able to speak up and be themselves. (3) Society and Partnerships: We work together, internally and externally, with customers and partners to support us in becoming more diverse and inclusive.

Leadership Essentials

Our leaders are encouraged to seek feedback to become more self-aware and to be held accountable for role modelling our leadership essentials and leadership behaviours.

Voices

The SE Voices engagement 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.

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.

Team Up For Action

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.

Vibrant workforce:

Our ambition is to become the employer of choice in the energy industry. We do this by investing in employer branding, learning and development, strategic workforce planning, and a recognition and performance management system. All elements contribute to the implementation of our strategy and anchor our values and behaviours.

Growth

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. All employees are encouraged to review their skills and to hold a growth dialogue with their manager to devise a growth and development plan.

Performance Management

All employees are set their top responsibilities linked to our Purple Book, followed by objectives which are discussed at regular check-ins with the employee's manager. Through these regular check-ins objectives are reviewed and amended to ensure they continually support the organisation's strategy

Transformational Accelerators (TAs)

Siemens Energy has a community of TAs from all areas and levels of the organisation who drive cultural change in line with our people and cultural strategy. They meet regularly to build a community of change agents and share success stories.

Recognition

Siemens Energy operates a number of recognition programmes for example STAR, which enables any employee to nominate or reward other colleagues for their excellent performance and collaboration.

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Customers and Suppliers

Business relationships with the Company's customers and suppliers 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.

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.

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 energy. Our aim is to create sustainable diversity and safety for our people and for the people in our supply chain.

We continue to measure and report purchase volume with Voluntary, Community and Social Enterprises (VCSEs). We now ask suppliers if they are classified as a VCSE, either as a 'Social Enterprise' or 'Not for Profit' which supports an increase in purchasing volume reported for the current year.

Decarbonisation continues to be key strategy theme for Siemens Energy. A Decarbonisation Steering Committee meets quarterly comprising of workstream leads, selected members of the management team and several Extended Board members, including the UK Vice President. Supply Chain Decarbonisation updates are shared with the Steering Committee who then have an opportunity to provide feedback.

We have committed to a 30% reduction in Scope 3 supply chain emissions, using Financial Year 2018 data as a baseline, this target has been signed off by the Global Board. To support delivery the business assesses the supply chain data, using accepted methodology and external databases which provides a Baseline analysis of CO2e emissions, both directly and indirectly in the supply chain.

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.

We work with customers to ensure the Real Living Wage requirements on their projects are passed onto the suppliers we work with, both directly employed, and people employed at subcontractors.

We have carried out a survey of a cross section of suppliers to understand how many currently meet the real living wage standards or have future plans to implement. Should the business decide to become accredited by the Living Wage Foundation, the responses will help identify the steps needed to correctly implement the Living Wage Foundation's requirements.

Our procurement function is committed to developing business relationships with organisations who are aligned to responsible business objectives to maximise joint performance and bring additional value. Relationships with strategic suppliers are supported by a member of the senior management team who acts as an owner.

As part of our Annual Supplier Management Plan, we review suppliers and the level of engagement required. Where required, supplier workshops are attended by Senior Management from Siemens Energy and the supplier to discuss collaboration and wider aspects of the relationship.

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

Societal Engagement Programme outcomes for FY23

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

1. Energy transformation

Siemens Energy provide ongoing support to National Energy Action (NEA) with the development of 'bitesize training', to identify homeowners who might be in a vulnerable situation in relation to their energy use and supply. Since the release of the training app in July 2023, NEA has engaged with interested organisations across the energy sector from housing associations to energy companies. Further interest in the product has come from the education sector and NEA are developing a student / younger person friendly version of the e learning which will be released to students in colleges. The Company will continue to support development of NEA training for first time tenants, students and young people.

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Engagement

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.

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

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

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

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.

Key topics, decisions and outcomes influenced by this stakeholder group

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 2023 were registered by over 380 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.

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 FY23 have included:

- Fundraising for MIND to support the mental health charity and mental health campaigns.
- Support for the Wildlife Trusts with over 5% of employees volunteering for 'Wild Workdays' in 2023.
- Siemens Energy donated over £90K to charities in FY23 and in addition to donations from employee fundraising. Volunteering for charity and community projects was over 6000 hours.

Siemens Energy created over £4 million of social value in FY23 using National TOMS framework supported by the Social Value Portal. This was a sustained improvement Social Value generation from FY22 as volunteering and schools' engagement opportunities continue to grow post-Covid.

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

In August 2023, our UK colleagues, with their friends and family, continued to make 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'.

Decarbonisation Programme (UK) outcomes

Siemens Energy carbon and energy performance for FY23 is reported in the Streamlined Energy and Carbon (SECR) report, for the legal entities that meet the required reporting thresholds.

An 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.

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

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Communities and Environment

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Engagement

Key topics, decisions and outcomes influenced by this stakeholder group

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

Siemens Energy manufacturing sites in Newcastle and Lincoln are certified to ISO 50001:2018 for energy management. The manufacturing sites at Ulverston will be joining the certificate in FY24.

businesses. The Decarbonisation Steering Committee oversees workstreams for delivering decarbonisation targets.

In FY24 the Siemens Energy UK carbon footprint will be externally verified to measure reduction in emissions over the past two years since the previous verification audit in January 2022.

The Decarbonisation Programme is reviewed annually to consider significant events, risks and opportunities that impact targets. The Decarbonisation Programme has been communicated to internal and external stakeholders.

UK Decarbonisation Targets:

FY22 was 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. In FY23 a reporting framework has been established to monitor climate related risks and opportunities for the UK.

Carbon Neutral Programme

- Climate neutral in operations by 2030
- 50% reduction in absolute emissions by 2025 (from 2019 baseline)
- 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

Sulphur Hexafluoride (SF6)

- Reduce total SF6 emissions year on year as a % of total SF6 installed (leak rate)

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

Energy performance

- Annual energy performance targets for all Siemens Energy managed manufacturing sites and offices
- Replace natural gas used for heating at manufacturing sites and offices by 2030
- Programme for installation of local renewable energy on manufacturing sites and offices

Decarbonise the supply chain

- Reduction in supply chain emissions by 30% by 2030 vs 2018

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.

Mental health is part of a global strategy for Siemens Energy Group. In line with this, in the UK we have implemented several improvements in the last year. A new mental health training program for Managers has been rolled out in FY23 which raises awareness on their own mental health and also looking after their teams. The training also provides numerous resources for assistance to managers. The mental health Calm application has also been rolled out globally to all employees and their families to sign up to free of charge.

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.

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

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Communities and Environment

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Engagement

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.

The Company continues to invest considerable resource 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.

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 managed through local management systems certified to the International Standard ISO 14001:2015.

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).

Key topics, decisions and outcomes influenced by this stakeholder group

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.

In FY23, Siemens Energy complied with the extended producer responsibility (EPR) for packaging and with the ESOS Regulations reporting.

In FY23 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 procured 100% renewable energy.

A Duty of Care Audit was 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.

Further details are published in the Siemens Energy Group 2023 Sustainability report.

An annual compliance review is conducted for all businesses supported by internal audits.

In FY23, Siemens Energy reviewed the Waste management programme to include targets for Circular Economy and Resource management.

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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, decarbonisation and urbanisation. As a result, we are regularly consulted on economic and policy issues by governments, business associations and civil society. With the full acquisition of Siemens Gamesa Renewable Energy ("SGRE"), we have combined the Siemens Energy UK and SGRE Government Affairs teams in the UK.

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. There has been significant cost inflation since the Russian invasion of Ukraine. The recent period of more rapid UK political changes created a degree of uncertainty over the direction of energy policy at a time when the industry is gearing up to deliver significant energy infrastructure changes required for net zero.

We continued thought leadership on the supply chain required for a net zero electricity system following our 2022 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 impact on offshore wind auction rounds of inflated global commodity prices, decarbonisation readiness of new power generation, re-regulation post Brexit, e.g., UKCA marking requirements for spares was eventually dropped in recognition of the impact on companies' exports, e.g., removal of export credit and other support for export of fossil fuelled equipment, inward investment, Hydrogen policy development and energy market design (REMA).

Our external engagement is governed by 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.

Members of our leadership team regularly meet with key contacts within the Department for Energy Security and Net Zero ("DESNZ"), Number 10 energy policy team and the Department for Business and 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 Delivery Council and the Global Grids Project within King Charles' Sustainable Markets Initiative. We responded to formal consultations on subjects including decarbonisation readiness, low carbon hydrogen standards and REMA.

There has been further political engagement with MPs and local political stakeholders in relation to construction projects and site footprints.

The Company is also participating in the Just Transition Working Group (TPT-Transition Plan Taskforce) by contributing to its work through collaboration or feedback.

Engagement with Make UK has included employment policy implications 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.

The Company published a UK tax strategy, 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

In 2023, Siemens Energy Group acquired the remaining shares of Siemens Gamesa Renewable Energy ("SGRE") to gain full control and ownership. The acquisition of SGRE makes Siemens Energy a global market leader for renewable energies.

In the UK, plans are being developed to allow for the integration of the SGRE and Siemens Energy entities, this includes work to integrate people, IT systems and processes. As a large focus market, Siemens Energy in the UK will be one of the first companies globally to commence integration and will be an 'early adopter' for the company blueprint. Members of the Siemens Energy UK Board are regularly involved in the global project which is taking care of the integration.

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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.

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 Company is involved in numerous discussions and developments with clients and stakeholders in relation to a) the supply of low or zero emissions power generating assets, b) the distribution side including the transport of energy and storage and c) the demand side including the reduction of Co2 emissions through electrification and other means.

Examples include: Hyflex Power Project, which is a CHP power plant that has been designed to run on 100% hydrogen. The use of e methanol as a low carbon fuel for small gas turbines, Grid stability projects to support renewables deployment, electrification of offshore assets and the reinforcement of grid infrastructure to enable energy transition grid connections.

The development of projects of this nature will form the foundation for future opportunities in this area.

The strategic decisions of the Siemens Energy AG Group guide the decisions taken by the Board which, in turn, adapts the Group strategy for the UK specific market and in line with the duties contained within the Companies Act 2006 and considering UK customer, employee and other stakeholder interests etc.

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.

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.

Approved by the board of directors on January 26, 2024 and signed on its behalf by



D Davidson
Director

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

DIRECTORS' REPORT

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

S Sarcander	
D Davidson	(Appointed: January 1, 2024)
P O'Brien	(Appointed: October 1, 2022)
R Keyzer-Dean	(Appointed: July 3, 2023)
S Scrimshaw	(Resigned: January 1, 2024)
M Gray	(Resigned: July 3, 2023)
S Davina	(Resigned: October 1, 2022)

None of the directors holding office at September 30, 2023 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 (2022: £nil).

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company spent £2,766k (2022: £1,987k) 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 20 to the financial statements.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The company has made an operating loss for the year of £5,293k (2022: £5,778k). The company has net current liabilities of £37,673k (2022: net current liabilities £29,672k), and an overall net liability position of £27,035k (2022: net liability position of £21,104k).

The Company's forecasts and projections, taking into account reasonable possible changes in trading performance, show that the Company has sufficient financial resources to call on from the Group to continue operations for the foreseeable future. In reaching their conclusion the Directors have reviewed the budget for 2024 and the forecast for 2025, and the related cash flow projections.

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 period (until January 31, 2025) from signing of these financial statements. This funding is limited to a maximum amount sufficient to cover the forecasted cash shortfall in the worst-case situation. The directors are satisfied that based on the latest Group financial statements, it has sufficient resources and the ability to provide this support, should it be required.

Additionally, Siemens Energy AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens Energy AG, and companies are able to draw down on these facilities if required. Further information on these risks, and their potential impacts, can be found in the 2023 Siemens Energy AG annual report.

For 2023, given the continued parental support and confirmation as explained above based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

STATEMENT OF ENGAGEMENT WITH EMPLOYEES

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

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

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

**MATERIALS SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

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 on pages 2 to 9 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.

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 via workshops, hosting webinars and on social media.

POLITICAL DONATIONS

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

DISCLOSURE OF INFORMATION TO THE AUDITOR

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


SUBSEQUENT EVENTS

There were no other significant events after the reporting period.

AUDITOR

Ernst & Young LLP have notified the directors that they will not be seeking re-appointment. In accordance with s489 of the Companies Act 2006, a resolution for the appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming meeting.

Approved by the board of directors on January 26, 2024 and signed on its behalf by



D Davidson
Director

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

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

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 MATERIALS SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Materials Solutions Limited for the year ended 30 September 2023 which comprise the statement of income, the statement of financial position, the statement of cash flows, the statement of comprehensive income, the statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2023 and of its loss for the year then ended.
- have been properly prepared in accordance with UK adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations and respond to the assessed risks. Our procedures including verifying that material transactions are recorded in compliance with IFRS and where appropriate the Companies Act 2006. Compliance with other operational laws and regulations was covered through journal entry testing, with a focus on journals posted by the key management personnel including directors of the company and journals indicating large, unusual transactions based on our understanding of the business and enquiries of management.

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

Use of our report

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

Ernst & Young LLP

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

Birmingham

26th January 2024

MATERIALS SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

STATEMENT OF INCOME (in thousands of £)

	Note	2023	2022
Revenue	3	11,498	8,725
Cost of sales		(12,786)	(11,351)
Gross loss		(1,288)	(2,626)
Marketing and distribution expenses		(10)	(91)
Administrative expenses		(3,995)	(3,061)
Operating loss	4	(5,293)	(5,778)
Interest income	7	99	3
Interest expense	7	(2,270)	(632)
Loss from continuing operations, before income taxes		(7,464)	(6,407)
Income tax credit	8	1,533	1,142
Loss from continuing operations, net of income tax		(5,931)	(5,265)
Net loss for the financial year		(5,931)	(5,265)

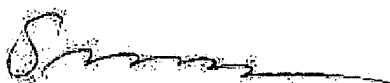
The Company has no other gains or losses in the current and prior year, other than those included in the income statement above, and therefore no separate statement of comprehensive income has been presented.

MATERIALS SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

STATEMENT OF FINANCIAL POSITION (in thousands of £)

	Note	2023	2022
ASSETS			
Trade and other receivables	9	9,426	7,292
Inventories	11	3,573	3,913
Other current assets	10	862	449
Total current assets		13,861	11,654
Intangible assets	12	65	64
Property, plant and equipment	13	14,256	15,229
Total non-current assets		14,321	15,293
Total assets		28,182	26,947
LIABILITIES AND EQUITY			
Lease liabilities	17	721	2,155
Trade and other payables	14	50,166	38,147
Other current liabilities	15	647	1,024
Total current liabilities		51,534	41,326
Lease Liabilities - non-current	17	2,176	5,612
Other liabilities - non-current	16	25	25
Deferred tax liabilities	8	1,482	1,088
Total non-current liabilities		3,683	6,725
Total liabilities		55,217	48,051
Equity			
Share capital	18	-	-
Share premium		2,487	2,487
Retained earnings		(29,522)	(23,591)
Total equity shareholders' deficit		(27,035)	(21,104)
Total liabilities and equity		28,182	26,947

These financial statements were approved and authorised on January 26, 2024 for issue by the board of directors and were signed on their behalf by:



S Sarcander
 Director

Registered number: 09364823
 Materials Solutions Limited

MATERIALS SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

STATEMENT OF CASH FLOWS (in thousands of £)

	Note	2023	2022
Cash flows from operating activities			
Net loss for the financial year		(5,931)	(5,265)
Adjustments to reconcile net loss to cash flows from operating activities:			
Depreciation and amortisation	4, 12, 13	4,035	3,777
Income tax credit	8	(1,533)	(1,142)
Interest expenses, net	7	(2,171)	(629)
Other		(535)	(281)
		<hr/>	<hr/>
Operating loss before changes in working capital and provisions		(6,135)	(3,540)
Changes in assets and liabilities			
Inventories	11	340	(1,634)
Trade and other receivables		(310)	1,372
Trade payables and accrued expenses		(1,827)	1,365
		<hr/>	<hr/>
Cash used in operations		(7,932)	(2,437)
		<hr/>	<hr/>
Interest paid		2,171	629
Income tax received		227	114
		<hr/>	<hr/>
Cash flows from operating activities – continuing operations		(5,534)	(1,694)
		<hr/>	<hr/>
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	12, 13	(6,223)	(3,314)
Disposals of property, plant and equipment		100	-
		<hr/>	<hr/>
Cash flows from investing activities – continuing operations		(6,133)	(3,314)
		<hr/>	<hr/>
Cash flows from financing activities			
Intercompany loan from other Group companies	9, 14	13,507	7,364
Repayment of lease liabilities		(1,840)	(2,356)
		<hr/>	<hr/>
Cash flows from financing activities – continuing operations		11,667	5,008
		<hr/>	<hr/>
Change in cash and cash equivalents		-	-
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

Siemens Energy AG operates a cash pooling facility across its worldwide Group. Cash balances generated by entities are passed to Siemens Energy AG and companies are able to draw down on these facilities if required. Therefore, apart from any accounts held with local banks, amounts invested with/drawn down from the Siemens Energy AG accounts are shown as an intercompany balance. Changes in the balances on these facilities are included in cash flows from financing activities in the Statement of Cash Flows. An increase in cash that is loaned to the cash pool is shown as a cash outflow from financing activities, and an increase in cash borrowed from the cash pool is shown as a cash inflow from financing activities.

MATERIALS SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

STATEMENT OF CHANGES IN EQUITY (in thousands of £)

	Share capital	Share premium	Retained earnings	Total equity
Brought forward October 1, 2021	-	2,487	(18,326)	(15,839)
Net loss for the financial year	-	-	(5,265)	(5,265)
Total comprehensive loss for the financial year	<u>-</u>	<u>-</u>	<u>(5,265)</u>	<u>(5,265)</u>
Balance at September 30, 2022	<u>-</u>	<u>2,487</u>	<u>(23,591)</u>	<u>(21,104)</u>
Brought forward October 1, 2022	-	2,487	(23,591)	(21,104)
Net loss for the financial year	-	-	(5,931)	(5,931)
Total comprehensive loss for the financial year	<u>-</u>	<u>-</u>	<u>(5,931)</u>	<u>(5,931)</u>
Balance at September 30, 2023	<u>-</u>	<u>2,487</u>	<u>(29,522)</u>	<u>(27,035)</u>

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

1. Basis of presentation

The accompanying financial statements present the operations of Materials Solutions Limited (the "Company") and have been prepared and approved by the directors in accordance with 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 January 26, 2024. 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. Materials Solutions Limited is a United Kingdom based company incorporated in England and Wales and is engaged in the manufacture of metal structures and parts of structures.

The Company applied all standards and interpretations issued by the International Accounting Standards Board ('IASB') that were effective as of September 30, 2023. In these financial statements, the term 'Group' refers to all companies for whom the ultimate parent undertaking is Siemens Energy AG. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a going concern basis. The company has made an operating loss for the year of £5,293k (2022: £5,778k). The company has net current liabilities of £37,673k (2022: net current liabilities £29,672k), and an overall net liability position of £27,035k (2022: net liability position of £21,104k).

The Company's forecasts and projections, taking into account reasonable possible changes in trading performance, show that the Company has sufficient financial resources to call on from the Group to continue operations for the foreseeable future. In reaching their conclusion the Directors have reviewed the budget for 2024 and the forecast for 2025, and the related cash flow projections.

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 period (until January 31, 2025) from signing of these financial statements. This funding is limited to a maximum amount sufficient to cover the forecasted cash shortfall in the worst-case situation. The directors are satisfied that based on the latest Group financial statements, it has sufficient resources and the ability to provide this support, should it be required.

Additionally, Siemens Energy AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens Energy AG, and companies are able to draw down on these facilities if required. Further information on these risks, and their potential impacts, can be found in the 2023 Siemens Energy AG annual report.

For 2023, given the continued parental support and confirmation as explained above based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

2. Summary of significant accounting policies and critical accounting estimates

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

Sale of goods: Revenues are recognised at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods.

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

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

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

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

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

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

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

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

Plant and machinery	10-20%
Fixtures and fittings	20%
Motor vehicles	25%
Office equipment	20-33%
Leasehold factory and office building	over the term of the lease

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

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

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

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

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

Cash and cash equivalents — The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost. The Company is part of a cash pooling arrangement across the worldwide Siemens Energy AG Group. 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 20.

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:

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

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.

Pension costs and other post-retirement benefits

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

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

Leases

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

Lessee

Initial recognition

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

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

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

Subsequent measurement of the right-of-use asset

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

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

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).

New and amended standards effective for the year ended September 30, 2023:

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

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. 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. This was effective for annual periods beginning on or after January 1, 2022 (October 1, 2022 for the Company). The Company have not noted any impact on transition.

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

In May 2020, 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'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). 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. This was effective for annual periods beginning on or after January 1, 2022 (October 1, 2022 for the Company). The Company have not noted any 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, 2023 and have not been applied in preparing these financial statements. Those standards that have relevance to the Company are mentioned below:

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.

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

In May 2022, 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.

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

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.

Leases on sale and leaseback - Amendment to IFRS 16

In September 2022, the IASB issued amendments to IFRS 16 – Leases on sale and leaseback. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. This is effective for annual periods beginning on or after January 1, 2024 (October 1, 2024 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

The company's turnover is analysed as follows:

Turnover analysed by class of business	2023	2022
Sale of goods	11,094	8,725
Sale of services	404	-
Total revenue	11,498	8,725
Turnover analysed by geographical market		
United Kingdom	1,735	2,379
Overseas	9,763	6,346
Total revenue	11,498	8,725

Customers with sales over 10% revenue

During the year there were two customers (2022: three) who individually generated more than 10% of the Company's annual revenue. The total revenue from these customers in the year was £8,384k (2022: £6,971k) which represents 73% of revenue (2022: 80%).

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

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)****4. Operating loss from continuing operations has been arrived at after charging / (crediting):**

	2023	2022
Net foreign exchange (gains) / losses	272	(166)
Research and development costs	2,766	1,987
Depreciation of property, plant and equipment	4,018	3,771
Loss on disposal of assets	45	-
Staff costs (see note 5)	3,839	3,582
Amortisation of intangible fixed assets (see note 12)	17	6
Cost of inventories recognised as an expense	2,498	1,993
Group Salary recharges	427	513
Sub contract labour	540	1,742
Computer running costs	696	559
Dilapidation costs	-	29
Auditors remuneration	34	32
Other costs	1,639	455
	<u>16,791</u>	<u>14,503</u>

There are £nil amounts payable to Ernst & Young LLP in 2023 and 2022 for non - audit services.

5. Staff numbers and costs

	2023	2022
Wages and salaries	3,311	3,099
Social security costs	321	280
Expenses relating to pension plans and employee benefits	207	203
	<u>3,839</u>	<u>3,582</u>

The average number of employees (including executive directors) during 2023 and 2022 was 79 and 69, 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:

	2023	2022
	Number	Number
Administrative	3	3
Sales	2	2
Operations	74	64
	<u>79</u>	<u>69</u>

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)****6. Directors' emoluments**

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

	2023	2022
Emoluments	943	653
Company Contributions to money purchase pension scheme	27	9
	<u>970</u>	<u>662</u>

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

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £447k (2022: £439k). One director (2022: none) is a member of the defined contribution scheme at the year end. None of the directors are members of the Company's defined benefit scheme. Share-based payments are described in note 2. One (2022: one) directors have qualifying services shares receivable from a long-term incentive scheme.

7. Interest income and interest expense

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

	2023	2022
Interest income	99	3
Interest income, net	<u>99</u>	<u>3</u>
Interest expense	(2,270)	(632)
Interest expense, net	<u>(2,171)</u>	<u>(629)</u>

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

8. Taxes

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

	2023	2022
Current tax:		
UK corporation tax	(1,919)	(1,890)
Adjustment in respect of prior years - other	(8)	104
	<hr/>	<hr/>
Total current tax:	(1,927)	(1,786)
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of temporary differences - current year	315	665
Deferred tax rate change adjustment	79	(21)
	<hr/>	<hr/>
Tax expense / (credit) for the year	394	644
	<hr/>	<hr/>
Income tax credit in the Statement of Income is disclosed as follows:	(1,533)	(1,142)
	<hr/>	<hr/>

The deferred tax expense in 2023 and 2022, £394k and £644k respectively, relate to the origination and reversal of temporary differences.

The main rate of corporation tax increased from 19% to 25% with effect from April 1, 2023. The Company's effective rate of corporation tax for the year ended September 30, 2023 is therefore 22%.

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

	2023	2022
Net loss before tax (continuing operations)	(7,464)	(6,407)
Tax at 22% (2022: 19%)	(1,642)	(1,217)
Increase / decrease in income taxes resulting from:		
Non-deductible (income) / expenses	-	(167)
Adjustments to charge re prior years	71	82
Amounts relating to differential tax rates	38	160
	<hr/>	<hr/>
Total income tax credit for the year	(1,533)	(1,142)
	<hr/>	<hr/>

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 April 1, 2023). All deferred tax balances are recognised at a rate of 25%.

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

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

	Year ended September 30,	
	2023	2022
Assets:		
Other provisions	21	83
	<hr/>	<hr/>
Deferred tax assets	21	83
	<hr/>	<hr/>
Other intangible assets	(16)	(16)
Property, plant and equipment	(1,487)	(1,155)
	<hr/>	<hr/>
Deferred tax liabilities	(1,503)	(1,171)
	<hr/>	<hr/>
Total net Deferred tax liabilities	(1,482)	(1,088)
	<hr/>	<hr/>

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

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

	2023	2022
Deferred tax liabilities balance as at October 1	(1,088)	(444)
Income tax presented in the Statement of income	(394)	(644)
	<hr/>	<hr/>
Deferred tax liabilities balance as at September 30	(1,482)	(1,088)
	<hr/>	<hr/>

At September 30, 2023 and 2022 the company has not recognised a deferred tax asset in respect of the following items (gross amounts):

	2023	2022
Tax loss and credit carry forwards	-	-

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)****9. Trade and other receivables**

	2023	2022
Trade receivables from the sale of goods and services	988	1,091
Receivables from Group companies	8,438	6,201
	<u>9,426</u>	<u>7,292</u>

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

	2023	2022
Current	331	890
30 days overdue	403	35
31 - 60 days overdue	82	130
61 - 90 days overdue	23	36
91 days and over	149	-
	<u>988</u>	<u>1,091</u>

The directors consider the carrying amount of trade and other receivables approximates to their fair value. A valuation allowance or provision for bad debts for £1k has been recognised in the year (2022: £nil).

10. Other current assets

	2023	2022
Other tax receivables	190	304
Prepaid expenses	149	141
Other	523	4
	<u>862</u>	<u>449</u>

11. Inventories

	2023	2022
Raw materials and supplies	2,489	2,323
Work in progress	1,084	1,590
	<u>3,573</u>	<u>3,913</u>

Cost of sales include inventories recognised as an expense amounting to £2,498k (2022: £1,993k), respectively, in fiscal year 2023 and 2022.

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)****12. Intangible assets**

	IT Software
Cost	
At October 1 , 2021	149
Additions	18
At September 30, 2022	<u>167</u>
At October 1, 2022	167
Additions	18
At September 30, 2023	<u>185</u>
Amortisation	
At October 1, 2021	97
Charge for year	6
At September 30, 2022	<u>103</u>
At October 1,2022	103
Charge for year	17
At September 30, 2023	<u>120</u>
Net book value	
At October 1 , 2021	52
At September 30,2022 and October 1,2022	64
At September 30, 2023	65

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

13. Property, plant and equipment

	Land & buildings	Technical machinery & equipment	Total property, plant & equipment
Cost			
At 1 October 2021	5,018	17,459	22,477
Additions	-	5,956	5,956
At September 30, 2022	<u>5,018</u>	<u>23,415</u>	<u>28,433</u>
At October 1, 2022	5,018	23,415	28,433
Additions	230	6,240	6,470
Disposals	-	(9,215)	(9,215)
At September 30, 2023	<u>5,248</u>	<u>20,440</u>	<u>25,688</u>
Accumulated depreciation and impairment			
At 1 October 2021	1,013	8,420	9,433
Charge for the year	680	3,091	3,771
At September 30, 2022	<u>1,693</u>	<u>11,511</u>	<u>13,204</u>
At October 1, 2022	1,693	11,511	13,204
Charge for the year	723	3,295	4,018
Disposals	-	(5,790)	(5,790)
At September 30, 2023	<u>2,416</u>	<u>9,016</u>	<u>11,432</u>
Net book value			
At 1 October 2021	4,005	9,039	13,044
At September 30, 2022 and October 1, 2022	3,325	11,904	15,229
At September 30, 2023	2,832	11,424	14,256

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

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

	Land & buildings	Technical machinery & equipment	Total property, plant & equipment
Cost			
At October 1, 2021	5,018	5,892	10,910
Additions	-	2,660	2,660
At September 30, 2022	<u>5,018</u>	<u>8,552</u>	<u>13,570</u>
At October 1, 2022	5,018	8,552	13,570
Additions	230	25	255
Disposals	-	(8,497)	(8,497)
At September 30, 2023	<u>5,248</u>	<u>80</u>	<u>5,328</u>
Accumulated depreciation and impairment			
At October 1, 2021	1,013	2,438	3,451
Charge for the year	680	1,838	2,518
At September 30, 2022	<u>1,693</u>	<u>4,276</u>	<u>5,969</u>
At October 1, 2022	1,693	4,276	5,969
Charge for the year	723	957	1,680
Disposals	-	(5,208)	(5,208)
At September 30, 2023	<u>2,416</u>	<u>25</u>	<u>2,441</u>
Net book value			
At October 1, 2021	4,005	3,454	7,459
At September 30, 2022 and October 1, 2022	3,325	4,276	7,601
At September 30, 2023	2,832	55	2,887

14. Trade and other payables

Trade payables	759	2,208
Amounts due to Group companies	<u>49,407</u>	<u>35,939</u>
	<u>50,166</u>	<u>38,147</u>

MATERIALS SOLUTIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)****15. Other current liabilities**

	2023	2022
Other employee related costs	187	179
Other accrued liabilities	460	845
	<u>647</u>	<u>1,024</u>

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

16. Other liabilities - non-current

	2023	2022
Other liabilities	25	25
	<u>25</u>	<u>25</u>

Other liabilities £25k (2022: £25k) relates to long term service awards.

17. Lease liabilities

	2023	2022
Lease Liabilities < 1 year	721	2,155
Lease Liabilities > 1 year	2,176	5,612

Lease liabilities relates to right of use assets of property plant and equipment (land and buildings and technical machinery and equipment in note 12) under IFRS16.

Maturity analysis – contractual undiscounted cash flows**Lease liability due within**

	2023
One year	775
Two to five years	2,244
Six years and above	-

18. Share capital**Allotted, called up and fully paid:**

	2023	2022
	£	£
3 (2022: 3) Ordinary Shares of £1 each	3	3

MATERIALS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (in thousands of £)

19. Commitments and contingencies

There are no capital commitments or contingencies at the year-end (2022: £nil).

20. 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:

	2023	2022
Financial assets		
Loans and receivables	9,426	7,292
	<u>9,426</u>	<u>7,292</u>
Financial liabilities		
Financial liabilities measured at amortised cost	53,063	45,914
	<u>53,063</u>	<u>45,914</u>

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

Fixed-rate and variable-rate receivables are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As of September 30, 2023 and 2022, the carrying amounts of such receivables, net of allowances, approximate their fair values.

Fair value hierarchy

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

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

All of the Company's derivative financial instruments as at September 30, 2023 and 2022 are categorised as level 2.

Collateral

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

Financial risk management

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

Interest rate risk

The Company's interest rate risk exposure is mainly related to interest-bearing deposits held with local banks and amounts invested with / drawn down from Siemens Energy AG as part of the cash pooling facility across the worldwide Group.

The approximate impact on the Statement of Income of a 1% fluctuation in interest rates would be £20k in 2023 (2022: £20k).

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Credit risk

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

Concerning trade receivables and other receivables, as well as other receivables included in *Other financial assets* that are neither impaired nor past due, there were no indications as of September 30, 2023, that defaults in payment obligations will occur.

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

Market risk

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

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

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

Equity price risk

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

Foreign currency exchange rate risk

Transaction risk and currency management

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

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

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

The Group has established a foreign exchange risk management system, further details are disclosed under the financial risk management note in the 2023 Group annual report. years. The Company is responsible for recording, assessing, monitoring, reporting and hedging its foreign currency transaction exposure.

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

Liquidity risk

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

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

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

	2024	2025 and thereafter
Non derivative financial liabilities	50,941	2,244
Leases obligations	775	2,244
Trade and other payables	50,166	-

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at September 30, 2023 and 2022.

The Company has £49,407k (2022: £35,939k) amounts due to Group companies with regards to Group cash pooling overdraft included in trade and other payables.

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

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Siemens Energy has established a comprehensive risk reporting covering its worldwide business units.

The balanced view of liquidity and financial indebtedness is stated in the calculation of the net liquidity amount and is used for internal management. It results from the total amount of cash and cash equivalents, amounts receivable from and due to Group companies within the Group cash pooling facility as stated on the Statement of Financial Position. The amounts receivable and due to Group companies reported below are held with Siemens Energy AG in the Group cash pooling facility. For further information, refer to the *Statement of Cash Flows*.

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

	2023	2022
Receivables from Group companies	8,438	6,201
Total liquidity	8,438	6,201
Amounts due to Group companies	(49,407)	(35,939)
Total debt	(49,407)	(35,939)
Net debt	(40,969)	(29,738)

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 2023 was (0.27) (2022: (0.28)). The Company also has access to Siemens Energy AG cash pooling arrangements when necessary.

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21. Related party transactions

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

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

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

	Sale of goods		Purchase of goods and services		Interest expense (net)	
	2023	2022	2023	2022	2023	2022
Amounts due to associate	-	-	(5,433)	(3,561)	(50)	(83)
Amounts due to ultimate parent	962	3,819	(700)	(858)	(2,054)	(474)
Amounts due to fellow subsidiaries	8,459	2,226	(2,798)	(2,819)	(67)	(72)
	<u>9,421</u>	<u>6,045</u>	<u>(8,931)</u>	<u>(7,238)</u>	<u>(2,171)</u>	<u>(629)</u>

Amounts owed by / (to) related parties

	2023	2022
Amounts due to immediate parent	(49,407)	(35,939)
Amounts due from fellow subsidiaries	8,438	6,201
	<u>(40,969)</u>	<u>(29,738)</u>

22. 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*.

	2023	2022
Short-term employee benefits	1,730	1,571
Post-employment benefits	87	70
	<u>1,817</u>	<u>1,641</u>

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

23. Directors' transactions

No such transactions occurred in 2023 or 2022 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24 with the directors (or other key management personnel).

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NOTES TO THE FINANCIAL STATEMENTS

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24. Subsequent events

There were no significant events after the reporting period.

25. 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.