SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED (formerly Computational Dynamics Limited)

Annual report and financial statements
Registered number 02180851
September 30, 2017

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

STRATEGIC REPORT

The directors of Siemens Industry Software Computational Dynamics Limited ("the Company") present the annual report containing a strategic report, directors' report and the financial statements for the year ended September 30, 2017. The Company was renamed to Siemens Industry Software Computational Dynamics Limited from Computational Dynamics Limited on April 3, 2017.

Principal activities

Siemens Industry Software Computational Dynamics Limited is integrated into Siemens Digital Factory Division, headquartered in Germany. The Group's principal activities continue to be development, sale and support of high end CAE simulation software and associated services. These activities are expected to continue in the foreseeable future.

General business review

The performance in 2017 is in line with the expectations of the directors. The Company made a net income for the financial year, net of taxation of £49,403k (2016: (£2,334k net loss) which is principally driven by gain on sale of subsidiaries and assets and liabilities of branches (See Note 5).

During the year, net assets increased by £49,403k. This was driven by the cash received from the sale of subsidiaries and branches.

The key financial performance indicators used by the board to monitor the financial performance and position of the company and its results are as follows:

- Licence and software billing increased from £65.6m in fiscal year 2016 to £93m in fiscal year 2017, an increase of 42%, primarily driven by the organic growth of business and royalty income.
- Service revenues, which include engineering services and training, decreased from £5.7m in fiscal year 2016 to £4m in fiscal year 2017, a decrease of 30%.

As from October 1, 2017, third party trade has been localized into regional Siemens Industry Software entities on the basis of customer location. Therefore as of October 1, 2017, all UK based customer trading activity is contracted through Siemens Industry Software Limited and not through the Company.

Principal risks and uncertainties

The directors work closely with the company's management to anticipate risks resulting from global or local economic factors and plan accordingly. The volatility in the world's financial markets and the ongoing volatility within the UK economy, partly as a result of the EU Referendum decision for the United Kingdom to leave the European Union, have been in particular focus for the directors. An evaluation of the potential impact of market factors is undertaken regularly by the management, so that the Company can respond appropriately.

Competition and innovation

Continuing development of new products and improvement of existing products is essential within this industry for the continued success of the business, and the risks in this area is that competitors could innovate more effectively in the future.

Currency risk

The company is exposed to two types of currency risk: (a) transaction risk, where software licences and consultancy services are sold in overseas markets and are invoiced in local currency; (b) translation risk, where overseas subsidiaries are translated from their functional currencies into British Pound on consolidation.

Human Resources

The company faces competition in recruiting and retaining the talented individuals it requires to remain successful. Failure to do this could have an adverse effects on the business

Agent self-interest

In 2016 the company has made further progress towards controlling the sales of its own offerings through its own channels rather than agents, thus, improving how business is conducted with the customers.

The company has implemented a co-ordinated set of risk management and control systems including strategic planning and management reporting to help anticipate, measure, monitor and manage its exposure to risk. Risks, which the company faces include price and product competition, integration of acquired businesses, changes in the regulatory and legal environment and credit and interest rate risks, which may increase due to the global shortage of credit. The company has a diversified range of customers and revenue streams in order to mitigate these risks.

Based on the company's forecasts, the directors consider that the company will continue the trend of strong performance demonstrated in previous years and will trade profitably and generate positive cash flows from operations over the next 12 months. Additionally, Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Further information on these risks, and their potential impacts, can be found in the 2016 Siemens AG annual report.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retaining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view of encouraging them to play an active role in the development of the company's business.

Signed by order of the board of directors

B Sheath
Director

Approved by the directors on June 29, 2018

Registered office:

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

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

DIRECTORS' REPORT

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

R Hancock	(Resigned June 30, 2017)
D MacAskill	
B Sheath	(Appointed June 01, 2017)

None of the directors holding office at September 30, 2017 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 recommend a dividend (2016: £6,543k).

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company spent £33,508k (2016: £30,777k) on research and development.

INTELLECTUAL PROPERTY

The Siemens AG group relies on a combination of contracts, copyrights, patents, trademarks and other common law rights such as trade secret and unfair competition laws to establish and protect the proprietary rights to our technology. The Company distributes software by license rather than by the transfer of absolute ownership. Such licenses contain various provisions protecting our ownership and confidentiality of our licensed technology. The Company continues to perform research and development work on behalf of the group.

SUBSEQUENT EVENTS

CD Adapco SEA PTE. Ltd. was liquidated on 20th March 2018 and a final liquidation dividend of £18k was received.

As from October 1, 2017, third party trade has been localized into regional Siemens Industry Software entities on the basis of customer location. Therefore as of October 1, 2017, all UK based customer trading activity is contracted through Siemens Industry Software Limited and not through the Company.

GROUP POLICIES

Employee participation

The directors continue to encourage employee participation within the Company. The Siemens Leadership Framework and Management Development Programmes underpin the various methods for encouraging an open and participative style of management and communication that has been introduced in recent years; these include team briefings, intranet information and notices, staff forums and employee elections to the Siemens Europe Committee and the European Works Council. We encourage suggestions and innovations for improving business performance through the "top+ Board", business suggestion schemes and the staff dialogue process.

Environmental

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

Equal opportunities

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

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

POLITICAL DONATIONS

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

GOING CONCERN

The company's business activities together with the factors likely affecting its future development are described in the Strategic report. After making inquiries and based on their assessment of the company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next twelve months from the date of approval of the financial statements. Thus, the company continues to adopt the going concern basis of preparation for the annual report and financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

Signed by order of the board of directors

B Sheath
Director

Approved by the directors on June 29, 2018

Registered office:
Faraday House
Sir William Siemens Square
Frimley
Camberley
Surrey
GU16 8QD

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

YEAR ENDED SEPTEMBER 30, 2017

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with the applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 101 "Reduced Disclosure Framework" and applicable law).

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 state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 101 "Reduced Disclosure Framework" have been followed, subject to any material departures disclosed and explained in the financial statements; and

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

Opinion

We have audited the financial statements of Siemens Industry Software Computational Dynamics Limited for the year ended 30 September 2017 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2017 and of its income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

We have nothing to report in this regard.

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 SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

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

29 June 2018

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

STATEMENT OF INCOME
For the years ended September 30, 2017 and 2016 (in thousands of £)

	Note	2017	2016
Revenue	3	**96,970**	71,390
Cost of sales		**(10,711)**	(12,311)
Gross profit		**86,259**	59,079
Research and development expenses		**(33,508)**	(30,777)
Marketing and distribution expenses		**(17,925)**	(14,712)
Administrative expenses		**(5,008)**	(15,210)
Other operating income	5	**25,863**	417
Operating profit / (loss)	4	**55,681**	(1,203)
Interest income	8	**(37)**	4
Interest expenses	8	**(52)**	(29)
Interest (expenses) / income from pension plans and similar commitments, net	8	**(1)**	-
Income / (loss) from continuing operations before income taxes		**55,591**	(1,228)
Income tax expenses	9	**(6,188)**	(1,106)
Income / (loss) from continuing operations, net of income taxes		**49,403**	(2,344)
Net income / (loss) for the financial year		**49,403**	(2,334)

Revenue and operating profit is derived entirely from continuing operations.

Other than the net income / (loss) in the year there was no other comprehensive income in either 2017 or 2016.

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

STATEMENT OF FINANCIAL POSITION
For the years ended September 30, 2017 and 2016 (in thousands of £)

	Note	2017	2016
FIXED ASSETS			
Goodwill	12	**237**	237
Intangible fixed assets	13	**43**	206
Tangible fixed assets	14	**597**	2,367
Investments	15	**3,375**	15,657
Deferred tax assets	9	**460**	497
Other non-current assets		**-**	16
Total Fixed assets		**4,712**	18,980
CURRENT ASSETS			
Debtors	11	**79,868**	9,432
Cash and cash equivalents		**1,481**	4,072
Total current assets		**81,349**	13,504
Creditors: amounts due within one year	16	**28,790**	24,827
NET CURRENT (LIABILITIES)/ASSETS		**52,559**	(11,323)
TOTAL ASSETS LESS CURRENT LIABILTIES		**57,271**	7,657
Creditors: amounts falling due after one year		**273**	62
NET ASSETS		**56,998**	7,595
CAPITAL AND RESERVES			
Share capital	17	**13**	13
Share premium		**310**	310
Profit and Loss account		**56,675**	7,272
Shareholders' funds		**56,998**	7,595

These financial statements were approved and authorised for issue by the board of directors on June 29, 2018 and were signed on their behalf by:

....

D MacAskill
Director

Registered number: 02180851
Siemens Industry Software Computational Dynamics Limited

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

STATEMENT OF CHANGES TO EQUITY
For the years ended September 30, 2017 and 2016 (in thousands of £)

	Note	Share capital	Share Premium	Retained earnings	Total equity
At October 1, 2015		13	310	16,149	16,472
Net loss for the financial year		-	-	(2,334)	(2,334)
Total comprehensive loss for the financial year		-	-	(2,334)	(2,334)
Dividends paid	11	-	-	(6,543)	(6,543)
Balance at September 30, 2016		13	310	7,272	7,595
Brought forward October 1, 2016		**13**	**310**	**7,272**	**7,595**
Net income for the financial year		-		**49,403**	**49,403**
Balance at September 30, 2017		**13**	**310**	**56,675**	**56,998**

1. Basis of presentation

The financial statements of Siemens Industry Software Computational Dynamics Limited ("the company") for the period of 12 months ended September 30, 2017 were authorised for issue by board of directors on June 29, 2018 and the balance sheet was signed on board's behalf by D MacAskill, Director. Siemens Industry Software Computational Dynamics Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of the registered office is Faraday House, Sir William Siemens Square, Frimley, Camberley, Surrey, GU16 8QD.

The financial statements were prepared in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with the Companies Act 2006.

Siemens Industry Software Computational Dynamics Limited has prepared and reported its financial statements in Sterling (£) and the financial information is disclosed in thousands of £, except when otherwise indicated. 'k' denotes thousands of Sterling (£) and 'm' denotes millions of Sterling (£).

The financial statements contain information about Siemens Industry Software Computational Dynamics Limited as an individual company and does not represent consolidated financial information of a group, where the company acts as a parent. The company has taken advantage of the exemption under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements and its results along with the results of the company's subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Siemens AG, a company incorporated in Germany.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year. The Company has taken advantage of the following disclosure exemptions under FRS 101 as the equivalent disclosures are included in the consolidated financial statements of Siemens AG:

(a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of *IFRS 3 Business Combinations;*

(b) the requirements of IFRS 7 *Financial Instruments;*

(c) the requirements of paragraphs 91-99 of IFRS *13 Fair Value Measurement;*

(d) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 118(e) of IAS 38 *Intangible Assets;*

(e) The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;

(f) the requirements of IAS 7 *Statement of Cash Flows*;

(g) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

(h) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;

(i) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and

(j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets.*

Going concern

The Company's business activities together with the factors likely affecting its future development are described in the Strategic report. After making inquiries and based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next twelve months from the date of approval of the financial statements. Thus, the Company continues to adopt the going concern basis of preparation for the annual report and financial statements.

2. Summary of significant accounting policies and critical accounting estimates

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Turnover

Turnover represents sales to external customers of licenses of its internally developed software and related post-contract customer support services, and commissions from the sale of software products/licenses of its affiliated companies, at invoiced amounts less value added tax or local taxes on sales.

Sale of Software Licenses

The Company sells fixed term software licenses, which include post-contract customer support ("PCS") for a fee, which is recognised on a straight-line basis over the contract term of typically one year. Post-contract customer support includes the right to receive unspecified upgrades / enhancements on a when-and-if-available basis. Revenue not recognised in the profit and loss account is classified as deferred income in the balance sheet.

The Company also sells perpetual licenses that include a one year PCS contract. The customer has an option to renew the PCS contract annually. The license fees do not include rights to unspecified or version upgrades. The Company recognises the license fee portion of the total fee when the key to software is delivered to the customer, and there are no specific vendor obligations remaining, the fee is fixed and delivery is probable. The revenue attributable to the PCS contract is recognised on a straight-line basis over the term of the contract. The Company establishes the revenue attributable to the PCS by review of arrangements, where PCS is sold separately. Revenue not recognised in the profit and loss account is classified as deferred income in the balance sheet.

Sale of Software Licenses via resellers

The Company also distributes software licenses through independent resellers under an agency agreement. Sales of fixed term, typically one year, software licenses with PCS are deferred and recognised on a straight-line basis over the contract terms along with the related sales commissions, which are deferred and recognised with the related revenue and recorded as cost of sales. The sales of perpetual software licenses are recognised when the key is delivered to the customer, and there are no specific vendor obligations remaining, the fee is fixed and delivery is probable. The revenue attributable to the PCS contract is recognised on a straight-line basis over the term of the contract. The Company establishes the revenue attributable to the PCS by review of arrangements, where PCS is sold separately. Sales commissions related to PCS contracts are deferred and amortised to cost of sales over the PCS contract term.

Other turnover

Professional services, which are not essential to the functionality of software business, are sold separately by the Company. Revenues are generated through the provision of consulting services in engineering projects and through the provision of training services in the use of software sold. Revenues from engineering services are recognised on either a percentage of completion method or on completion of project milestones, according to how value is transferred to customers throughout the stages of the project. Revenues from training services are billed at standard hourly rates and recognised as services are performed.

Royalty agreements

The Company holds several license agreements to resell affiliated group companies software. Royalties are paid to the licensors at varying rates and frequencies based on the agreements.

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

Investments — Investments are stated at their historic cost to the Company less, where appropriate, provisions for any permanent or temporary impairment in value. The determination of the recoverable amount of an investment involves the use of estimates by management. The Company uses discounted cash flow-based methods applied to the cash-generating unit underlying the investment. These discounted cash flow calculations typically use five-year projections that are based on the financial plans. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the values and ultimately the amount of any investment impairment.

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

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

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

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired companies, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, discounted cash flow calculation use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. See note 14 for further information.

Intangible fixed assets — The Company amortises intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. Estimated useful life for software generally ranges from three to five years.

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

Leasehold improvements	Over the life of the lease
Motor vehicles	4 years
Technical machinery & equipment	3 to 10 years
Furniture & office equipment	5 to 10 years

Impairment — The Company reviews tangible fixed assets and intangible fixed 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 tangible fixed assets and intangible fixed 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 tangible fixed assets and intangible fixed assets to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell and depreciation is ceased.

Income taxes — The Siemens Group operates in various tax jurisdictions and, therefore, has to determine tax positions under respective local tax laws and tax authorities' views, which can be complex and subject to different interpretations of taxpayers and local tax authorities. Under the liability method, deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognised if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realised, a corresponding valuation allowance is taken into account.

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

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.

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

For the year ended September 30, 2017 and 2016 (in thousands of £)

3. Revenue

Revenue is eamed from the business category of Digital Factory.

Segmental information for the Siemens AG group is presented in the consolidated financial statements of the ultimate parent company, Siemens AG. Further analysis of the Company's revenue is outlined below:

	Year ended September 30,	
	2017	2016
Software Licenses	**90,968**	62,606
Perpetual Software Licenses	**2,004**	3,060
Maintenance services	**2,130**	3,904
Professional services	**1,850**	1,628
Other sales	**18**	192
Total Revenue by business line	**96,970**	71,390

	Year ended September 30,	
	2017	2016
Europe	**46,856**	44,414
Asia	**9,219**	14,563
USA	**40,453**	11,061
Rest of the world	**442**	1,352
Total Revenue by geographical market	**96,970**	71,390

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

	Year ended September 30,	
	2017	2016
Net foreign exchange gains	**(346)**	(2,043)
Research and development costs	**33,074**	30,777
Depreciation of tangible fixed assets	**515**	787
Amortisation of intangible fixed assets	**183**	342
Hire of plant and machinery- operating leases	**10**	15
Hire of other assets- operating leases	**121**	160
Staff costs (see note 6)	**14,347**	19,870
Grants received	**(157)**	(29)
Auditor's remuneration:		
- audit of financial statements	**84**	84

Amounts payable to Emst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2016: £nil).

For the year ended September 30, 2017 and 2016 (in thousands of £)

5. Other operating income

	Year ended September 30, 2017	2016
Profit / (loss) on disposal of property, plant and equipment and intangibles	-	(13)
Profit on disposal and liquidation of subsidiary undertakings and branches	25,863	-
Other	-	431
	25,863	417

The sale of investment in CD-Adapco New Hampshire Co. Ltd. for $9,295k, as part of group re-organisation resulted in a gain on sale of investment of £7,356k.

The sale of investment in Red Cedar Tech Inc. for $13,473k, as part of group re-organisation resulted in a gain on sale of investment of £3,479k.

The sale of investment in CD Adapco France S.A.S for EUR 8,002k, as part of group re-organisation resulted in a gain on sale of investment of £4,166k.

The sale of investment in CD Adapco Korea Co. Ltd for KRW 20,149,085k, as part of group re-organisation resulted in a gain on sale of investment of £10,122k.

CD-Adapco Australia PTY Ltd. was sold for £1 resulting in a gain on sale of £0.30.

The Company disposed assets and liabilities of the Italian branch for EUR 1,213k, The German branch for EUR 764k and other minor assets and liabilities relating to the Swedish and Czech branches resulting in a net gain of £740k.

The following amounts for German, Italian, Czech and Sweden branches as of February 1, 2017 relate to the major assets and liabilities sold.

	February 1, 2017
Cash and cash equivalents	443
Other current assets	941
Tangible fixed assets	1,612
Assets disposed of	**2,996**
Other current liabilities	1,963
Other liabilities	909
Liabilities disposed of	**2,872**

Trade arising in the geographical location of the branches was recorded directly in the Company in FY17.

For the year ended September 30, 2017 and 2016 (in thousands of £)

6. Staff numbers and costs

	Year ended September 30, 2017	2016
Wages and salaries	**13,000**	16,885
Social security costs	**1,012**	1,829
Expenses relating to pension plans and employee benefits	**335**	1,156
	14,347	19,870

The average number of employees (including executive directors) during the year was as follows:

	Year ended September 30, 2017 Number	2016 Number
Engineering services	**35**	74
Sales and marketing	**61**	77
Research and development	**62**	79
	158	230

7. Directors' emoluments

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

	Year ended September 30, 2017	2016
Emoluments receivable	-	875
	-	875

During the year, the directors did not receive any emoluments in respect of their services to the Company, as the directors' roles did not require any qualifying services to be performed. All the Company's directors are remunerated by other Siemens Group Companies.

The aggregate of emoluments paid to the highest paid director was £Nil (2016: £875,226). No directors are members of the defined contributions scheme.

For the year ended September 30, 2017 and 2016 (in thousands of £)

8. *Interest income and interest expense*

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

	Year ended September 30, 2017	2016
Interest income - other	-	2
Interest income - intercompany	(37)	2
Interest income, net	(37)	4
Interest expense - other	(4)	(17)
Interest expense - intercompany	(48)	(12)
Interest expense, net	(52)	(29)
Interest expense from pension plans and similar commitments	(1)	-
Interest (expense) / income from pension plans and similar commitments	(1)	-

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

Interest income/ expense from operations includes interest income and expense arising directly from operating activities primarily related to receivables from customers and payables to suppliers, interest on advances from customers and advanced financing of customer contracts.

Other interest income/ expense includes all other interest amounts primarily consisting of interest relating to corporate debt and related hedging activities, as well as interest income on corporate assets.

For the year ended September 30, 2017 and 2016 (in thousands of £)

9. Taxes

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

	Year ended September 30, 2017	2016
Current tax:		
UK corporation tax	**5,736**	319
Foreign income taxes	**379**	1,138
Adjustments for prior years	**36**	145
	6,151	1,602
Deferred tax:		
Origination and reversal of temporary differences - current year	**1**	(1)
Recognition of previously un-provided deferred tax	**36**	(583)
Deferred tax rate change adjustment	-	88
Tax expense	**6,188**	1,106

Of the deferred tax expense in 2017 and the deferred tax credit in 2016, £37k and £(584)k, respectively, relate to the origination and reversal of temporary differences.

For the years ended September 30, 2017 and 2016, the Company was subject to UK corporation tax at a rate of 19.5% (20% during the 6 months to April 1, 2017 and 19% during the 6 months to September 30, 2017) respectively. The total tax expense or credit differs from the amounts computed by applying the statutory UK tax rate as follows:

	Year ended September 30, 2017	2016
Net income / (loss) before tax (continuing operations)	**55,591**	(1,228)
Tax at 19.5% (2016: 20%)	**10,840**	(246)
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	**192**	1,475
Tax-free gains from sales of business	**(4,899)**	-
Recognition of previously un-provided deferred tax	**36**	(583)
Over provided in prior years - current tax	**36**	145
Irrecoverable foreign tax	**(19)**	227
Deferred tax rate change adjustment	**-**	88
Other	**2**	-
Total income tax expense for the year	**6,188**	1,106

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

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

For the year ended September 30, 2017 and 2016 (in thousands of £)

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

	September 30, 2017	2016
Assets:		
Property, plant and equipment	460	459
Pension plans and similar commitments	-	38
Deferred tax assets	460	497
Total deferred tax assets, net	460	497

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 assets have not been recognised in respect of the following items:

	September 30, 2017	2016
Irrecoverable foreign tax	131	106
	131	106

10. Dividends paid

	Year ended September 30, 2017	2016
Dividends paid	-	6,543

The Company has not paid a dividend in the year to its parent undertaking (2016: £50.51 per share).

For the year ended September 30, 2017 and 2016 (in thousands of £)

11. Trade debtors

	2017	September 30, 2016
Trade debtors	**2,980**	6,073
Amounts owed by group undertakings	**76,581**	954
Prepayments and accrued income	**251**	1,191
Other receivables	**56**	1,210
	79,868	9,432

As at September 30, 2017, receivables from group companies include a deposit of £50mn with Siemens Financial Services.

12. Goodwill

	2017	September 30, 2016
Cost		
At October 1, 2016	**237**	237
At September 30, 2017	**237**	237
Accumulated impairment losses		
At October 1, 2016	-	-
At September 30, 2017	-	-
Net book value		
At October 1, 2016	**237**	237
At September 30, 2017	**237**	237

For the year ended September 30, 2017 and 2016 (in thousands of £)

13. Other intangible assets

	Software	Total
Cost		
At October 1, 2016	1,394	1,394
Additions	24	24
Transfers out from group companies	(24)	(24)
At September 30, 2017	1,394	1,394
Amortisation		
At October 1, 2016	1,188	1,188
Charge for the year	183	183
Transfers out from group companies	(20)	(20)
At September 30, 2017	1,351	1,351
Net book value		
At September 30, 2016 and October 1, 2016	206	206
At September 30, 2017	43	43

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

For the year ended September 30, 2017 and 2016 (in thousands of £)

14. Property, plant and equipment

	Land & buildings	Technical machinery & equipment	Furniture & office equipment	Total property, plant & equipment
Cost				
At October 1, 2016	414	6,578	616	7,608
Additions	60	282	30	372
Disposals	-	(340)	-	(340)
Transfers to group companies	(206)	(3,604)	(407)	(4,217)
Reclassification of asset	-	5	(5)	-
At September 30, 2017	268	2,921	234	3,423
Accumulated depreciation and impairment				
At October 1, 2016	297	4,428	516	5,241
Charge for the year	32	454	29	515
Disposals	-	(340)	-	(340)
Transfers to group companies	(88)	(2,170)	(332)	(2,590)
Reclassification of asset	-	3	(3)	-
At September 30, 2017	241	2,375	210	2,826
Net book value				
At September 30, 2016 and October 1, 2016	117	2,150	100	2,367
At September 30, 2017	27	546	24	597

For the year ended September 30, 2017 and 2016 (in thousands of £)

15. Investments

	Shares in subsidiary undertakings	Shares in joint ventures	Total
Cost			
At October 1, 2016	14,276	1,381	15,657
Additions	427	-	427
Disposals	(12,709)	-	(12,709)
At September 30, 2017	1,994	1,381	3,375
Net book value			
At September 30, 2016 and October 1, 2016	14,276	1,381	15,657
At September 30, 2017	1,994	1,381	3,375

On October 20, 2016 the Company made an additional capital contribution into CD-Adapco S.E.A PTE. Ltd for £427k.

The companies set out below are the subsidiary undertakings as at September 30, 2017. Shareholdings are in voting equity capital of companies registered in England and Wales and the voting equity capital is wholly owned, except where otherwise stated.

Company:	Country of incorporation or regulation	Class of share capital held	Proportion of ordinary equity and voting rights held	Nature of business
Siemens Industry Software Computational Dynamics India Pvt Ltd (formerly CD-Adapco India Private Limited)	India	Ordinary	100%	Software sales and support and consultancy services
CD-Adapco S.E.A PTE. Ltd (Refer Note 19 for further details)	Singapore	Ordinary	100%	Software sales
Siemens PLM Software Computational Dynamics K.K. (formerly CD-Adapco, Ltd.)	Japan	Ordinary	50%	Software sales and support
CD-Adapco Software Technology (Shanghai) Co Limited	China	Ordinary	50%	Software sales and support

16. Creditors: amounts falling due within one year

	September 30, 2017	2016
Trade creditors	431	447
Amounts due to group companies	671	319
Payroll and social security taxes	421	796
Income tax liabilities	5,221	587
Other tax liabilities	1,402	213
Deferred income	18,919	20,192
Other accrued liabilities	1,725	2,273
	28,790	24,827

For the year ended September 30, 2017 and 2016 (in thousands of £)

17. Share capital

Allotted, called up and fully paid:

	September 30,	
	2017	2016
129,546 (2016: 129,546) Ordinary Shares of 10p each	**13**	13

18. Commitments and contingencies

As of September 30, 2017 future payment obligations under non-cancellable operating leases are as follows:

	2017 Total	2016 Total
Within one year	**725**	957
After one year but not more than five years	**725**	2,055
More than five years	-	2,279

19. Post balance sheet events

CD- Adapco SEA PTE. Ltd. was liquidated on 20th March 2018 and a final liquidation dividend of £18k was received.

As from October 1, 2017, third party trade has been localized into regional Siemens Industry Software entities on the basis of customer location. Therefore as of October 1, 2017, all UK based customer trading activity is contracted through Siemens Industry Software Limited and not through the Company.

20. Ultimate parent undertaking

The immediate parent undertaking is Siemens Product Lifecycle Management Software Inc., a company incorporated in the United States of America. The ultimate parent undertaking and controlling party is Siemens AG, incorporated in Germany. Siemens AG is the only group undertaking of which the Company is a member for which group financial statements are prepared. Copies of the group financial statements are available on the internet at www.siemens.com/annualreport or obtained from:

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