Company Number: 03051069

Altair Engineering Limited

Directors' Report, Strategic Report and Financial Statements

for the year ended 31 December 2019

Registered Office

Imperial House
Holly Walk
Royal Leamington Spa
CV32 4JG

Directors

Dr R D Jones
J R Scapa (USA)

Secretary

V L Jones

Auditor

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Company continues to be the design, sale and service of computer software and support services for engineering applications.

The directors recommend that no dividend be paid during the year (2018: £400,000).

Directors of the company

The directors who held office during the year and to the date of signing were as follows:

- Dr R D Jones
- J R Scapa (USA)

During the year under review and as at the date of the Directors Report, appropriate directors' and officers' insurance was in place.

Employees

The Directors recognise the benefits that accrue from keeping employees informed on the progress of the business and involving them in the Company's performance. The Company is committed to providing equality of opportunity to all employees regardless of nationality, ethnic origin, age, sex or sexual orientation and continue to be supportive of the employment and advancement of disabled persons.

Impact of COVID-19

In March 2020, The World Health Organization declared the outbreak of COVID-19 a pandemic, and a public health emergency of international concern. The global spread of COVID-19 has created significant volatility and uncertainty in global financial markets. To limit the spread of COVID-19, governments have taken various actions including the issuance of travel restrictions, prohibitions of non-essential activities, shutdown of non-essential businesses, stay-at-home orders and social distancing guidelines. Accordingly, many businesses have adjusted to these actions by reducing or suspending operating activities. This has negatively impacted several of the markets we serve, including the automotive and aerospace markets.

The ensuing discussion is provided to summarize the impacts of COVID-19 upon the Company, inclusive of some of the principal measures undertaken by the Company to date to respond to the pandemic. It is difficult to predict with any level of precision the broad effects of COVID-19 on specific industries or individual companies. Locally or regionally imposed restrictions in concert with the duration of pandemic conditions may create disparate impacts across the globe, including the primary countries or regions in which the Company and its customers operate.

The impact from the rapidly changing market and economic conditions due to the COVID-19 outbreak is uncertain, disrupting the business of our customers and partners, and will impact our business and results of operations and could impact our financial condition in the future. A negative impact on our customers may cause them to request extended payment terms, delayed invoicing, higher discounts, lower renewal amounts or cancellations, and a reduction in demand for software related and client engineering services. These actions could have a negative impact on our financial results and liquidity. While adjustments in costs have been undertaken to mitigate the potential loss of revenue, primarily through the reduction in use of outside contractors, we believe that it is important on a long term basis to retain much of the deeply technical and specialized engineering resources typically engaged in providing software related services, while furloughing those employees associated with client engineering services for whom their associated customer contracts were interrupted or terminated.

In mid-March, we adopted several measures in response to the COVID-19 outbreak adhering to local and regional restrictions, including instructing employees to work from home, adjusting our expenses and cash flow to correlate with potential declines in billings and cash collections from customers, shifting certain of our customer events to online-only webcasts and restricting non-critical business travel by our employees. Historically, a portion of field sales, professional services and other activities were conducted in person. Currently, because of travel restrictions related to the ongoing COVID-19 outbreak, substantially all of our sales, professional services and other activities are being conducted virtually. We have developed contingency plans to reduce costs further if the current situation changes. We continue to actively monitor the situation and may take further actions that alter our business operations as may be required by the UK Government and local authorities or that we determine are in the best interests of our associates, customers, suppliers and shareholders.

As COVID-19 expands its global reach, the health and safety of our employees, customers, and partners is paramount for us. We are committed to, and we believe we are capable of, continuing to provide the same excellent level of service and technical support for our customers during these uncertain times. Our team is comfortable and highly experienced with remote collaboration, as it is a normal part of our global culture. During this crisis, customers working remotely can move their existing licenses from their on-premise servers to hosted servers utilising Altair Hosted HyperWorks Units or request temporary term-based software licenses for increased productivity and security. We are also providing access to an increased number of online training, marketing and sales resources.

We have almost entirely converted our business to being capable of operating nearly 100% "virtual" as required under COVID-19 restrictions, leveraging our global technology infrastructure. While our operations are capable of sustained operations primarily in a virtual environment, we expect that we will gradually resume normal operations, when permitted, based on local conditions and restrictions, with the primary focus of preserving employee welfare, while continuing to support customers. We have undertaken many measures to manage ongoing operating expenses given the uncertainties with the COVID-19 environment. Specifically, we have introduced reductions in employee bonus payments. We have, where possible, negotiated reductions in costs for consultants, professional and advisory fees, and other costs. Given global travel restrictions, we have substantially reduced expenses for travel related costs while many sales and marketing activities have reverted to being virtualized, further reducing certain expenditures on a net basis.

If business conditions were to deteriorate in a significant manner or for an extended duration within our customer base, the likelihood of impairment would increase and we would again assess whether events or changes in circumstances indicate an asset impairment that is more likely than not exists. Specifically, certain non-amortizing intangible assets from recent acquisitions valued on the basis of short-term forecasts of revenue will be re-assessed for indicators of impairment and it is possible that an impairment charge will be reflected in the future should COVID-19 business conditions worsen or extend substantially in duration.

As of the date of this report, we do not yet know the extent of the negative impact on our ability to attract, serve, retain or upsell customers. Furthermore, existing and potential customers may choose to reduce or delay technology spending in response to the COVID-19 outbreak, or attempt to renegotiate contracts and obtain concessions, which may materially and negatively impact our operating results, financial condition and prospects. While we have not incurred significant disruptions thus far from the COVID-19 outbreak, we are unable to accurately predict the full impact that COVID-19 will have due to numerous uncertainties, including the full scope of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to the businesses of our customers and partners and other factors identified. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. We will continue to evaluate the nature and extent of the impact to our business, results of operations, and financial condition.

Going concern

After making enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In reaching this conclusion, the Directors have considered the letter of financial support received from the ultimate parent company, Altair Engineering Incorporated, the ability of this company to provide such support, as well as the Company's own net current asset and forecast profitability and cash inflows to be generated over the 12 months from the date of approval of these financial statements.

As of the date of this report, the Company does not yet know the extent of the negative impact on its ability to attract, serve, retain or upsell customers as a result of the COVID-19 outbreak. Furthermore, existing and potential customers may choose to reduce or delay technology spending in response to the COVID-19 outbreak, or attempt to renegotiate contracts and obtain concessions, which may materially and negatively impact the Company's operating results, financial condition and new business. While the Company has not incurred significant disruptions thus far from the COVID-19 outbreak, the Company is unable to accurately predict the full impact that COVID-19 will have due to numerous uncertainties, including the full scope of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to the businesses of the Company's customers and partners and other factors. Even after the COVID-19 pandemic has subsided, the Company may experience material adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. The Company will continue to evaluate the nature and extent of the impact to its business, consolidated results of operations, and financial condition. For more details on the post balance sheet events refer to note no. 29.

Statement of disclosure of information to auditors

The directors of the company who held office at the date of approval of this Annual Report as set out above confirm that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and

- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

Auditors

In accordance with S489 of Companies Act 2006, a resolution proposing that Ernst & Young be re-appointed as auditors of the Company will be put to the Annual General Meeting.

On behalf of the Board:

21/09/2020

Dr R D Jones
Director

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law 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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). 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 judgements and estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors present their strategic report for the year ended 31 December 2019.

Section 172(1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations") have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. Amongst other things, the Regulations require the Company to report how the directors of the Company have considered their duties under section 172 (of the Companies Act 2006 (the "Act")) ("Section 172"), to promote the success of the Company, during the reporting period.
The Directors have ensured compliance with their duties under Section 172 in relation to the Company and its various stakeholders, including its investors, workforce, customer and suppliers, local community and the environment. Engagement with the Company's stakeholders has informed the way in which the Directors have discharged their duties as detailed below. Where individual Directors are not directly involved in the processes described below, regular feedback and discussions are held with the relevant management teams, including operational review meetings. The Directors have oversight of the running of the Company, including through regular reviews of the contract performance and consideration of potential risks and opportunities.
The main trading of the Company is as a global technology company providing software and cloud solutions in the areas of product design and development, high performance computing, and data analytics. We enable organizations across broad industry segments to compete more effectively in a connected world while creating a more sustainable future, in order to provide an appropriate return for its shareholders whilst providing a valuable contribution to the local community both as a key employer of local residents and through wider contributions to the community. The Company interacts on a continuous basis with employees and its shareholders and has regular and frequent engagement with its main customer and other stakeholders.

Investors

The Company is part of the Altair Engineering Inc. Group (the "Group") and as such the Directors have ensured that the strategy, values and policies of the Group have been adopted. Central to the trust between a Company and its investors is the commitment to principled corporate governance. In order to ensure compliance, the Company's Corporate Compliance Program is designed to promote an ethical and compliant culture, which in turn, minimizes the risk of criminal and financial liability.

The Company's Compliance Program consists of various policies, including the Code of Business Conduct and Ethics, conflicts of interest, anti-corruption, gifts and entertainment, among others. The Company has an Operations Team consisting of senior management who meet regularly to provide oversight to and assess the effectiveness of the program. In addition, compliance program activities are reviewed with the Company's Board of Directors.

Management financial reporting is also a key focus of corporate management. Financial reporting is submitted monthly and is reviewed by operational and financial senior management. Regular forecasts are also calculated to provide a detailed plan of Company performance for the current year. The outcome of these performance measures is critical in strategic and operational decision making.

Workforce (past and present)
Current Employee Engagement

One of the Company's core values of 2019 was employee engagement. The Company has conducted an employee survey, the results of these have highlighted areas which the Company needs to focus on in 2020. Along with the new employee engagement initiatives, the Company has also continued to engage with the workforce through, quarterly staff meetings where all employees are encouraged to attend and actively participate. With this variety of communication, the Company is engaging our workface, we are committed to lead in a way that empowers, develops, and involves, treating every employee as a stake holder to the business.

As part of a global group the company believe in a diverse workforce and their staff employment is made up of many different nationalities from around the World, and are pleased to advised that they also currently employee a number of female engineers, within what is a traditionally a male led working environment.

Post-retirement benefits

The Company provides post-retirement pension provisions for both its current employees and in respect of previous employees, providing a workplace pension scheme. The Company works very closely with the Scheme Administrators. Management team meetings are held on a regular basis throughout the year and ensure all legal reporting requirements have been met along with identifying any upcoming new legislation, funding requirements.

Customer

The customer is a key consideration in many management decisions through the product life cycle.
Commercial pricing and customer settlements are negotiated and agreed with the customer to ensure sales recoveries are in line with both parties' corporate expectations.

Supplier

The Company is committed to being a supplier of choice to its customers by providing superior products while displaying excellence in quality, innovation, delivery, service, and competitiveness. As an extension of our operations, we expect our supply base to share this commitment and to drive toward a culture of zero defects. Only this commitment will allow all of us to successfully operate in today's automotive environment.

We seek to establish strong supplier relationships with a high degree of integrity and corporate ethics. In return, our intention is to operate fairly and to make decisions based solely on overall value to the Company. We will not allow any inappropriate influence to compromise or sway our decisions. It is expected that this commitment is also made by our suppliers to those further down the supply chain.

Community

The Company continues to support a wide range of charitable and service organizations in the communities where we do business. Our long tradition of civic involvement and support provides a standard for the future as we highlight community support as one of our core values. Our employees volunteer time, financial support and provide gifts of goods and services to a wide range of community causes and service organizations all of which is supported by the Company. From senior leadership to our newest team member, we all contribute to Company's core value of supporting the communities in which we live and work.

Environmental

The Company is committed to sustainability in our operations and products. The Company adheres to all domestic environmental regulations and approved code of practices which govern activities or operations that may have adverse environmental effects. In addition, the Company's customers are subject to significant environmentally focused state, federal and foreign laws and regulations that regulate vehicle emissions, fuel economy and other matters related to the environmental impact of vehicles. To the extent that such laws and regulations ultimately increase or decrease automotive vehicle production, such laws and regulations would likely impact our business.

Review of the business

Business Review

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our view is consistent with the size and nature of our business. Turnover, gross margin and profit on ordinary activities before taxation being the key financial performance indicators that communicate the strength of the Company as a whole.

Business Model

We are focused on the development and broad application of simulation technology to synthesise and optimise designs, processes and decisions for our clients' improved business performance. We add value by radically changing the way organisations design products and make decisions.

Key Performance Indicators

- Revenue £17,651,163 (2018: £14,683,207)
- Gross margin 54.7% (2018: 51.0%)
- Profit on ordinary activities before taxation £2,120,065 (2018: £1,590,910)

Financial Performance

The company's profitability increased significantly, reflecting increased revenues together with tighter controls on costs of sales.

Principal risks and uncertainties

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. However, healthy net assets, excellent product portfolio, diverse customer base and our vast expertise provide a good platform on which to meet any future challenges.

Credit Risk:
The company's principal financial assets are cash at bank, trade and other receivables. It is positive that the company's receivables past due has decreased to 18%, the debts are deemed recoverable except for a bad debt provision of £28,620.

	Provision for doubtful receivables	Trade receivables past due >30days
As at 31 December 2019:	£28,620	18%
As at 31 December 2018:	£Nil	31%

Cash Flow Risk:
The company is exposed to fluctuations in foreign currency exchange rates principally involving US Dollar, Euro and Sterling transactions. Where appropriate, pricing is adjusted to cover any potential adverse fluctuation. However, the fluctuation in the value of Sterling against the Euro during the year resulted in a foreign exchange loss in the year as significant remittances from Euro customer billing were converted to Sterling, the company's base currency. Resale of commodities purchased outside the group is minimal.

Liquidity Risk:
Current assets continue to exceed current liabilities, enabling the company to comfortably meet its obligations. Trade receivables represent a significant component of current assets and are valued at £2,848,177 (2018: £3,180,250). Aging breakdown of trade debtors by due date is as follows:

As at 31 December 2019:	< 30 days	< 60 days	> 60 days
By due date	81.6%	5.0%	13.4%
By invoice date	64.6%	16.2%	19.2%

Some risk is perceived as customer requests are received for extended payment terms. However, careful consideration is given to each individual case, taking into account customer history and credit scoring. A financing company has also been engaged to better facilitate customer requests for terms while minimising risk.

Trade Payables are at £196,859 (2018: £305,452) as the company seeks to pay suppliers within agreed payment terms and represents just 1.5% (2018: 5.9%) of total liabilities.

Impairment of assets due to COVID-19
If business conditions were to deteriorate in a significant manner or for an extended duration within our customer base, the likelihood of impairment would increase and we would again assess whether events or changes in circumstances indicate an asset impairment that is more likely than not exists. Specifically, certain non-amortizing intangible assets from recent acquisitions valued on the basis of short-term forecasts of revenue will be re-assessed for indicators of impairment and it is possible that an impairment charge will be reflected in the future should COVID-19 business conditions worsen or extend substantially in duration.

Future developments and Strategy

The Company is well placed to achieve future growth as new consulting projects come on stream, and software sales continue to increase. Investments in new products, increased headcount with industry experts, plus expansion of support functions vital to the efficient running of the business, provide a strong basis on which to grow the business.

On behalf of the Board:

21/09/2020

Dr R D Jones
Director

Opinion
We have audited the financial statements of Altair Engineering Limited for the year ended 31 December 2019 which comprise the Statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union; 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.

Effects of Covid-19

We draw attention to notes 1 and 29 of the financial statements which describes the directors' consideration of economic and social impacts of Covid-19 on the Company. Our opinion is not modified in respect of this matter.

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 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 directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Strategic Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of director's 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 Statement of Directors' Responsibilities set out on page 3, 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 to 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 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

24th September 2020

Stephen Kirk
Senior Statutory Auditor

for and on behalf of:
Ernst & Young LLP
Statutory Auditor
1 Colmore Square
Birmingham
B4 6HQ

Statement of Total Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	2	17,651,163	14,683,207
Cost of sales		(7,997,548)	(7,196,807)
Gross Profit		9,653,615	7,486,400
Other income	4	603,223	605,645
Administration expenses		(8,099,895)	(6,491,934)
Profit from operations	3	2,156,943	1,600,111
Investment Income	6	2,177	1,233
Finance charges	7	(39,055)	(10,434)
Profit before tax		2,120,065	1,590,910
Income tax expense	11	(225,863)	(151,565)
Profit after tax		1,894,202	1,439,345
Other comprehensive income		-	-
Total comprehensive income		1,894,202	1,439,345

All income arises from continuing operations

The notes on pages 16 to 38 form part of these financial statements

Altair Engineering Limited

Statement of Financial Position

as at 31 December 2019

Registered Number: 03051069

	Note	2019 £	2018 £
Non current assets			
Intangible assets	12	-	-
Property, plant and equipment	13	870,592	521,057
Investments	14	10,149,342	2
Trade and other receivables	15	276,796	1,079,121
		11,296,730	1,600,180
Current assets			
Trade and other receivables	15	6,048,499	5,587,022
Cash and cash equivalents	16	1,758,043	1,803,646
		7,806,542	7,390,668
Total Assets		19,103,272	8,990,848
Equity			
Share Capital	22	10	10
Share premium reserve		10,019	10,019
Other capital reserve	22	168,282	56,509
Retained earnings		5,658,278	3,764,076
Total equity shareholders' funds		5,836,589	3,830,614
Non current liabilities			
Deferred tax	21	47,400	54,400
Trade and other payables	20	8,683,910	676,945
Current liabilities			
Trade and other payables	20	4,469,891	4,175,758
Corporation tax		65,482	253,131
		4,535,373	4,428,889
Total liabilities		13,266,683	5,160,234
Total equity and liabilities		19,103,272	8,990,848

The financial statements were approved by the board of directors and were signed on its behalf by:

21/09/2020

Dr R D Jones
Director

The notes on pages 16 to 38 form part of these financial statements

	Note	2019 £	2018 £
Net cash flows from operating activities	24	2,180,113	1,275,553
Investing activities			
Purchase of software, property, plant & equipment	13	(154,192)	(239,362)
Interest received	6	2,177	1,233
Acquisition of investment in subsidiary	14	(10,149,340)	-
Net cash used in investing activities		(10,301,355)	(238,129)
Financing activities			
Interest paid	7	(39,055)	(10,434)
Receipt of new loan		8,300,000	-
Capital repayment of lease liability		(185,306)	-
Dividends paid		-	(400,000)
Net cash used in financing activities		8,075,639	(410,434)
Net decrease in cash and cash equivalents		(45,603)	626,990
Cash and cash equivalents brought forward	16	1,803,646	1,176,656
Cash and cash equivalents carried forward	16	1,758,043	1,803,646

The notes on pages 16 to 38 form part of these financial statements

Statement of Changes in Equity

as at 31 December 2019

	Share capital £	Other capital reserve £	Share premium reserve £	Retained earnings £	Total £
As at 1 January 2018	10	20,343	10,019	2,724,731	2,755,103
Total comprehensive income	-	-	-	1,439,345	1,439,345
Share-based payments	-	36,166	-	-	36,166
Dividends	-	-	-	(400,000)	(400,000)
As at 31 December 2018	10	56,509	10,019	3,764,076	3,830,614

	Share capital £	Other capital reserve £	Share premium reserve £	Retained earnings £	Total £
As at 1 January 2019	10	56,509	10,019	3,764,076	3,830,614
Total comprehensive income	-	-	-	1,894,202	1,894,202
Share-based payments	-	111,773	-	-	111,773
As at 31 December 2019	10	168,282	10,019	5,658,278	5,836,589

The notes on pages 16 to 38 form part of these financial statements

1. Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared in Sterling which is the functional currency of the company.

The financial statements have been prepared on a going concern basis, applying the historical cost convention, except for certain financial instruments which are measured at fair value.

The Company has applied the exemption available in Section 401 of the Companies Act relating to intermediate parent companies, and has not prepared consolidated accounts. The results of the Company and its subsidiary undertaking are included in the consolidated accounts of Altair Engineering Inc., incorporated in the USA.

Going concern

After making enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In reaching this conclusion, the Directors have considered the letter of financial support received from the ultimate parent company, Altair Engineering Incorporated, the ability of this company to provide such support, as well as the Company's own net current asset and forecast profitability and cash inflows to be generated over the 12 months from the date of approval of these financial statements.

As of the date of this report, the Company does not yet know the extent of the negative impact on its ability to attract, serve, retain or upsell customers of the COVID-19 outbreak. Furthermore, existing and potential customers may choose to reduce or delay technology spending in response to the COVID-19 outbreak, or attempt to renegotiate contracts and obtain concessions, which may materially and negatively impact the Company's operating results, financial condition and new business. While the Company has not incurred significant disruptions thus far from the COVID-19 outbreak, the Company is unable to accurately predict the full impact that COVID-19 will have due to numerous uncertainties, including the full scope of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to the businesses of the Company's customers and partners and other factors. Even after the COVID-19 pandemic has subsided, the Company may experience material adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. The Company will continue to evaluate the nature and extent of the impact to its business, consolidated results of operations, and financial condition.

Revenue Recognition

Revenue represents amounts receivable for goods supplied and services provided in the normal course of business, excluding VAT and trade discounts.

The revenue is recognised in accordance with IFRS 15. The revenue relating to software is recognised once the performance obligation is satisfied i.e. at a point in time. The Post Customer Services (PCS) revenue is recognised rateably over the term of the contract. The revenue relating to unlimited training is recognised rateably over the term of the contract whereas limited training revenue is recognised once the performance obligation is satisfied. The revenue for product development/ consulting service is recognised, based on the percentage-of-completion method, using an input method and based on the proportion of contract costs incurred at the balance sheet date relative to the total estimated costs of the contract.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable in respect of operating leases are charged to income on a straight-line basis over the term of the lease.

1. Significant Accounting Policies (continued)

Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	Over the life of the lease
Motor vehicles	Over the life of the lease
Office equipment	Over the life of the lease

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any recognised impairment loss.

The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated to write down the cost, less estimated residual values, of all tangible fixed assets, other than freehold land, over their estimated economic lives. The rates generally applicable are:

Leasehold improvements	20% straight line
Office equipment	20%/33% straight line
Motor Vehicle	20% straight line

Intangible assets

Intangible assets are stated at cost, less accumulated amortisation and any recognised impairment loss.

The cost of intangible assets is their purchase cost, together with any incidental expenses of acquisition.

Amortisation is calculated to write down the cost, less estimated residual values, of all intangible fixed assets, over their estimated economic lives. The rates generally applicable are:

Software	20% straight line

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any impairment.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the Statement of Total Comprehensive Income as they become payable in accordance with the rules of the scheme.

Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at year end exchange rates. These differences on exchange are dealt with through the Statement of Total Comprehensive Income.

1. Significant Accounting Policies (continued)

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Impairments on trade receivables are determined using the simplified approach for the recognition of expected credit losses in accordance with IFRS 9.

Trade payables

Trade payables are non-interest-bearing and are stated at their nominal value.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual installments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Taxation

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided using the balance sheet liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. The company has not adopted a policy of discounting deferred tax assets and liabilities.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Share based payments

The company participates in a group-wide equity settled, share based compensation scheme. The equity awarded is that of Altair Engineering Inc, and the company receives no recharge relating to the award. The value of employee services received in exchange for equity instruments granted under this plan is recognised as an expense over the vesting period of the instrument, with a corresponding increase in equity. This expense is determined by reference to the fair value of the number of equity instruments that are expected to vest. The fair value of the instruments at the date of grant is estimated using an appropriate valuation technique.

Key sources of estimation uncertainty and accounting judgements

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1. Significant Accounting Policies (continued)

Areas where the most significant judgements and estimates are made are:

- The determination of Standalone Selling Price (SSP) for the performance obligation identified in the customer contract.
- Royalty at 60% paid to Altair Inc. on sales of UK software – a value deemed reasonable for the development of the software.
- Accrued staff bonus payments at year end.
- Provision for bad debt

Share based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions the company uses a Black-Scholes option pricing model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 23.

Changes in accounting policies

The following amendments to existing standards and interpretations were effective for the year, but either they were not applicable to or did not have a material impact on the company:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19: Prepayment Features with Negative Compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

New and amended standards and interpretations applied

The company applied IFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of the new accounting standard is described below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the company is the lessor.

The company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adopting IFRS 16 as at 1 January 2019 is detailed in note 28.

2. Revenue

The revenue and profit before tax is wholly attributable to the principal activities of the company.

The geographical analysis of revenue is as follows:

	2019 £	2018 £
United Kingdom	11,908,467	10,950,385
Rest of Europe	3,524,959	2,581,825
Rest of World	2,217,737	1,150,997
	17,651,163	14,683,207

Revenue is analysed as follows:

	2019 £	2018 £
Software - lease	7,897,022	7,729,848
Software - maintenance	1,278,498	768,826
Training	121,177	82,953
Product development/ consulting	6,458,715	5,592,987
Cross charges	1,751,477	489,243
Other	144,274	19,350
	17,651,163	14,683,207

3. Profit from operations

Profit from operations has been arrived at after charging:

	2019 £	2018 £
Amounts payable to the auditors in respect of audit services	70,000	115,600
Loss on disposal of tangible assets	-	1,333
Depreciation of right-of-use assets	179,592	-
Depreciation of owned tangible fixed assets	226,792	196,714
Operating lease expense *	-	228,300
Foreign currency losses	166,843	25,024

* Following the implementation of IFRS 16 - Leases, these are no longer applicable.

4. Other income

	2019 £	2018 £
Government grant	473,227	605,645
RDEC credit	129,996	-
As at 31 December 2019	603,223	605,645

5. Government grants

	2019 £	2018 £
As at 1 January 2019	1,384,594	2,014,331
Amount written back in the year	(573,573)	(24,092)
Released as other income	(473,227)	(605,645)
As at 31 December 2019	337,794	1,384,594
Current	216,809	707,649
Non-current	120,985	676,945

6. Investment income

	2019 £	2018 £
Bank interest receivable	2,177	1,233
	2,177	1,233

7. Finance charges

	2019 £	2018 £
Bank charges	(15,146)	(10,334)
Bank interest paid	(2,032)	(100)
Interest on lease liabilties	(21,877)	-
	(39,055)	(10,434)

8. Pension – Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £363,574 (2018: £297,789).

Contributions totalling £56,484 (2018: £30,239) were payable to the scheme at the end of the year and are included in creditors.

9. Staff Costs

Staff costs during the year were as follows:

	2019 £	2018 £
Wages and salaries	4,730,608	3,804,105
Social security costs	689,647	556,518
Staff pensions	363,574	297,789
Share based payments expense	111,773	36,166
	5,895,602	4,694,578

The average monthly number of employees during the year was as follows:

	2019 Number	2018 Number
Finance and administration	7	6
Sales, .development & programming	54	49
Management	3	3
	64	58

10. Directors' emoluments

The directors' emoluments for the year were as follows:

	2019 £	2018 £
Directors' emoluments (including benefits in kind)	225,471	216,137
Contributions to directors' defined contribution plans	14,074	14,904
	239,545	231,041

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 £	2018 £
Accruing benefits under money purchase pension scheme	1	1

The above details include no emoluments in respect of non-UK directors as their time spent in respect of Altair Engineering Limited is inconsequential to their wider group responsibilities. As only 1 director receives remuneration, the above emoluments are in respect of the highest paid director.

11. Taxation

The major components of income tax charge for the years ended 31 December 2019 and 2018 are:

	2019 £	2018 £
Current tax		
Current tax on profit for the year	281,199	148,165
Impact of over-provision of tax in prior years	(48,336)	-
	232,863	148,165
Deferred tax		
Origination and reversal of timing difference (note 20)	(7,000)	3,400
Charge per Statement of Total Comprehensive Income	225,863	151,565

Reconciliation of tax charge

Reconciliation of tax expense and the accounting profit multiplied by the standard rate of corporation tax in the UK for 2019 and 2018:

	2019 £	2018 £
Profit before tax	2,120,065	1,590,910
Tax at the effective UK corporation tax rate 19.00% (2018: 19.00%)	402,812	302,273
Effects of:		
Expenses not deductable	39,376	28,724
Chapter 2 deduction	(38,850)	(77,932)
Adjustment in respect of current income tax of previous years	(48,336)	-
Withholding tax	(10,720)	-
Double taxation relief	10,720	-
Changes in rates at which deferred tax measured	7,857	(3,854)
RDEC ATL credit	(129,996)	(101,046)
Other timing differences	(7,000)	3,400
	225,863	151,565

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017, and 17% with effect from 1st April 2020. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19%. The UK Government announced during its budget on 11 March 2020, that the corporate tax rate will remain at 19% from 1 April 2020. As this change had not been enacted at the balance sheet date, deferred tax had continued to be recognised at 17%. This change in UK tax legislation is not expected to have a material impact on the financial statements.

Deferred tax assets have been calculated at 17% as this is the rate expected to apply when these timing differences crystallise based on current and enacted tax rates and law.

12. Intangible assets

	Software £
Cost	
At 1 January 2019 and 31 December 2019	5,178
Amortisation and Impairment	
At 1 January 2019 and 31 December 2019	5,178
Carrying amounts	
At 31 December 2019	-
At 31 December 2018	-

13. Property, plant and equipment

	Leasehold improvements £	Office Equipment £	Right-of-use assets £	Total £
Cost				
At 1 January 2018	195,977	908,272	-	1,104,249
Additions	12,661	226,701	-	239,362
Disposals	(846)	(131,669)	-	(132,515)
At 1 January 2019	207,792	1,003,304	-	1,211,096
Adjustment for change in accounting policy	-	-	601,727	601,727
Adjusted balance as at 1 January 2019	207,792	1,003,304	601,727	1,812,823
Additions	97,945	56,247	-	154,192
Disposals	-	(14,218)	-	(14,218)
At 31 December 2019	305,737	1,045,333	601,727	1,952,797
Accumulated depreciation				
At 1 January 2018	135,436	489,071	-	624,507
Charge for the year	13,892	182,822	-	196,714
Eliminated on disposals	(846)	(130,336)	-	(131,182)
At 1 January 2019	148,482	541,557	-	690,039
Charge for the year	27,916	198,876	179,592	406,384
Eliminated on disposals	-	(14,218)	-	(14,218)
At 31 December 2019	176,398	726,215	179,592	1,082,205
Carrying amounts				
At 31 December 2019	129,339	319,118	422,135	870,592
At 31 December 2018	59,310	461,747	-	521,057

14. Investments held as fixed assets

	2019 £	2018 £
Shares in group undertakings and participating interests	10,149,342	2

Shares in group undertakings and participating interests

At 1 January 2019	2
Additions	10,149,340
At 31 December 2019	10,149,342
Net book value	
At 1 January 2019	2
At 31 December 2019	10,149,342

The company holds one share (1% control) in Altair Engineering do Brasil Sistemas e Servicos Ltda, a company incorporated in Brazil, which is also its principle place of business. The cost of investment is £2.
The principal activity of the company is the design, sale and service of computer software and support services for engineering applications.
The registered office of the company is R Sampaio Viana, 227 110 Andar, Sao Paulo, 04004-000.

On 7 November 2019, the company acquired 100% of the ordinary share capital of DEM Solutions Limited, a company incorporated in the United Kingdom, which is also its principle place of business.The cost of investment Is £10,149,339.
The principal activity of the company is to develop and deploy software technologies for customers to design and optimise their products and processes involving bulk materials.
The registered office of the company is Floor 6 1 Rutland Court, Edinburgh, Midlothian, Scotland, EH3 8FL.

On 12 December 2005, the company acquired one share of Altair Engineering India PVT Limited, a company incorporated in India, which is also its principle place of business.The cost of investment Is £1. The investment has not previously been recognised within these financial statments due to its immaterial value.
The principal activity of the company is the design, sale and service of computer software and support services for engineering applications.
The registered office of the company is Prestige Trade Tower, Municipal 46, First Floor, Palace Roas, Municipal Ward No 77, Sampangiramanagar, Bengaluru, Kamataks, 560001.

15. Trade and other receivables

	2019	2018
	£	£
Non-current		
Government grants	111,977	1,073,136
Capitalised contract costs	164,819	5,985
	276,796	1,079,121
Current		
Trade receivables	2,848,177	3,180,250
Amounts owed by group undertakings	1,857,547	977,024
Prepayments and accrued income	905,408	846,874
Government grants	437,367	582,874
	6,048,499	5,587,022

The directors consider that the carrying amount of trade and other receivables approximates to their fair values.

Set out below is an analysis of the company's trade receivables by due date.

	Current	1-30 days	31-60 days	Over 60 days	Gross Total	Provision	Net Total
	£	£	£	£	£	£	£
At 31 December 2019	2,058,005	289,990	145,278	383,524	2,876,797	(28,620)	2,848,177
At 31 December 2018	101,107	2,085,127	456,749	537,267	3,180,250	-	3,180,250

Movements on the company provision for impairment of trade receivables are as follows

	2019	2018
	£	£
Provision at 1 January	-	18,000
Amounts provided in prior period unutilised	-	(18,000)
Provided in the period	28,620	-
Provision at 31 December	28,620	-

Amounts are written off when there is no expectation of recovering additional cash.

Following the principle of IFRS 9, the company performed the Expected Credit Loss (ELC) assessment on the outstanding debtor balances. In doing ELC assessments, management have considered the historical customer default rate and made necessary adjustments as required. The majority of the debts outstanding at the year-end have been cleared and paid off by the customer post year-end. The result of the assessment was immaterial and had no impact on the income statements, except as noted above.

16. Cash and cash equivalents

	2019 £	2018 £
Bank balances and cash in hand	1,758,043	1,803,646
Cash and cash equivalents in the statement of cash flows	1,758,043	1,803,646

17. Foreign Currency Risk Management

The company undertakes transactions denominated in foreign currencies; consequently, exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets 2019 £	Liabilities 2019 £	Assets 2018 £	Liabilities 2018 £
Euro	1,756,935	143,137	1,596,582	150,036
US Dollar	375,759	97,647	370,201	63,226
South African Rand	-	2,271	-	2,490

The company is mainly exposed to exchange rate fluctuations in the Euro and to a lesser extent, the US Dollar and South African Rand. As some customers and vendors employ multi-currency transactions, foreign currency cannot always be linked to specific territories.

The following table details the company's sensitivity to a 6% increase and decrease in Sterling against the relevant foreign currencies. 6% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The company has no external loans or loans to foreign operations within the Group. A positive number on the percentage foreign exchange rate risk indicates a strengthening of Sterling against the relevant currency.

		Foreign Exchange Rate Risk	
		6%	**-6%**
	Carrying Amount at Reporting Date	**Profit/(loss)**	
Financial Assets	**£**	**£**	**£**
Cash at Bank Euro and US Dollar	797,989	45,169	(50,935)
Accounts Receivable Euro, US Dollar and South African Rand	1,334,705	75,549	(85,194)
Impact on Financial Assets before Tax		120,718	(136,129)
Tax Charge at 19%		(22,936)	25,865
Impact on Financial Assets after Tax		**97,782**	**(110,264)**
Financial Liabilities			
Accounts Payable Euro, US Dollar	(243,055)	(13,758)	15,514
Tax charge at 19%		2,614	(2,948)
Impact on Financial Liabilities after Tax		**(11,144)**	**12,566**
Total Increase/(Decrease)		**86,638**	**(97,698)**

18. Credit risk

The company's principal financial assets are cash at bank and trade and other receivables.

A provision for doubtful receivables of £28,620 has been recorded in the year amounting to just 1% of total receivables. This reflects the health and stability of the broad customer base that includes many blue-chip corporations from a variety of industry sectors.

19. Capital management

The company manages its capital to ensure a sufficient capital base is preserved in order to maintain creditor and market place confidence and to safeguard the future development of the business. The company's overall strategy remains unchanged from 2018.

The capital structure of the company consists of the equity of the group, comprising issued capital, reserves and retained earnings. The company is not subject to any externally imposed capital requirements.

20. Trade and other payables

	2019 £	2018 £
Non-current		
Government grant	120,985	676,945
Loans due to group undertakings	8,300,000	-
Lease liability	262,925	-
	8,683,910	676,945
Current		
Trade payables	196,859	305,452
Amounts due to group undertakings	1,334,085	974,736
Social security and other taxes	778,260	592,965
Other payables	56,484	30,239
Accruals and deferred income	1,733,898	1,564,717
Government grants	216,809	707,649
Lease liability	153,496	-
	4,469,891	4,175,758

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

The current intercompany balances are repayable on demand, and no interest is charged in respect of these balances. The non-current intercompany loan is repayable on 31 October 2024, and accrues interest at a rate of 5.5% per annum.

20. Trade and other payables (continued)

The cash flows pertaining to the liabilities are as follows:

	2019 Trade creditors £	2019 Intercompany creditors £	2018 Trade creditors £	2018 Intercompany creditors £
Within one year	196,859	1,334,085	305,452	974,736

Lease liabilities:
Maturity analysis – contractual undiscounted cash flows

	2019 **£**
Less than one year	188,189
One to five years	252,647
More than five years	-
	440,836

Lease liabilities included in the satement of financial position at 31 December 2019:

Current	153,496
Non-current	262,925
	416,421

The total cash outflow for leases in 2019 was £200,276.

21. Deferred tax

The following are the deferred tax liabilities recognised by the company and movements thereon during the current and prior year:

	Accelerated capital allowances **£**
At 1 January 2018	51,000
Debit to Statement of Total Comprehensive Income	3,400
At 31 December 2018	54,400
Credit to Statement of Total Comprehensive Income	(7,000)
At 31 December 2019	47,400

22. Share capital and reserves

	2019 £	2018 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
	1,000	1,000
Alloted, called up and fully paid shares		
10 Ordinary shares of £1 each	10	10
	10	10

Share option scheme

Altair Engineering Inc (holding company) has two share option schemes under which options to subscribe for Altair Engineering Inc's shares have been granted to certain employees.

Other capital reserves	Share based payments £
As at 1 January 2018	20,343
Share-based payments expense during the year	36,166
As at 31 December 2018	56,509
Share-based payments expense during the year	111,773
As at 31 December 2019	168,282

Share-based payments

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees as part of their remuneration. Refer to Note 23 for further details of these plans.

23. Share based payments

2012 ISO/NSO Plan

The 2012 ISO/NSO Plan is authorised to grant both nonqualified stock options ("NSO") and/or incentive stock options ("ISO") totalling 5,200,000 shares of Class B, nonvoting stock of Altair Engineering Inc. The NSO exercise price may be set at less than the fair market value at the date of the grant under the terms of the ISO/NSO Plan, while ISO/NSO exercise price is set at a price equal to or greater than the fair market value at the date of the grant. All options have an exercise period of 10 years from the date of the grant. All Shares issued pursuant to the Plan shall be subject to the terms and conditions of Altair Engineering Inc's Stock Restriction and Repurchase Agreement and Altair Engineering Inc shall place legends on stock certificates representing that the Shares are subject to such Stock Restriction and Repurchase Agreement. The Stock Restriction and Repurchase Agreement also provides the pricing formula for the sale of shares based on various contingent repurchase features.

23. Share based payments (continued)

The measurement of equity-based awards is performed by determining the fair value of the award based on the observable market price of an option with the same or similar terms and conditions, if one is available. The fair value of an equity share option or similar instrument shall be estimated using a valuation technique such as an option-pricing model. The Company estimates the fair value of equity awards using the Black-Scholes option pricing model. This estimate is affected by Altair Engineering Inc's equity value as well as assumptions regarding a number of complex and subjective variables. These variables include Altair Engineering Inc's expected equity value volatility over the expected term of the awards, the risk-free interest rate, and the expected life of the awards.

The expense recognised for employee services received during the year is shown in the following table:

	2019 £	2018 £
Expense arising from equity-settled share-based payments transactions	2,690	8,564

There were no cancellations or modifications to the awards in 2019 or 2018.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2019		2018	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	20,228	£2.61	37,408	£2.02
Granted during the year	-	-	-	£0.00
Forfeited during the year	-	-	(1,300)	£3.98
Exercised during the year	(6,100)	£1.66	(15,880)	£1.40
Outstanding at 31 December	**14,128**	**£2.86**	**20,228**	**£2.61**
Exercisable at 31 December	11,253	£2.64	15,264	£2.23

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 5.39 years (2018: 5.52 years).

The weighted average fair value of options granted during the year was £Nil (2018: £Nil).

The range of exercise prices for options outstanding at the end of the year was £0.48 to £3.90 (2018: £0.50 to £4.04).

23. Share based payments (continued)

The following table list the inputs to the models used for the plan for the year ended 31 December 2017. There were no stock options granted in 2019.

	2017
Weighted average fair values at the measurement date	1.94
Dividend yield (%)	0%
Expected volatility (%)	34%
Risk-free interest rate (%)	2.02%
Expected life of share options (years)	6.25
Weighted average share price (£)	5.18
Model used	Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

2018 stock-based compensation plan

In 2018, the Company's board of directors adopted the 2018 Equity Incentive Plan ("2018 Plan"), which was approved by the Company's stockholders. The 2018 Plan provides for the grant of incentive stock options to the Company's employees and any parent and subsidiary corporations' employees, and for the grant of non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, other cash-based awards and other stock-based awards to the Company's employees, directors and consultants and the Company's parent, subsidiary, and affiliate corporations' employees and consultants. The 2018 Plan has 8,104,971 authorised shares of the Company's Class A common stock reserved for issuance.

The following table summarises the restricted stock units, or RSUs, awarded under the 2018 Plan for the period:

	2019 Number of RSUs	2018 Number of RSUs
Outstanding at 1 January	4,034	-
Granted during the year	17,909	4,034
Forfeited during the year	(3,187)	-
Released/vested during the year	(1,009)	-
Outstanding at 31 December	**17,747**	**4,034**
Exercisable at 31 December	-	-

The expense recognised for employee services received during the year is shown in the following table:

	2019 £	2018 £
Expense arising from equity-settled share-based payments transactions	109,083	27,602

24. Notes to the Cash Flow Statement

	2019 £	2018 £
Profit from operations	2,156,943	1,600,111
Depreciation on property, plant and equipment	406,384	196,714
Loss of sale of property, plant and equipment	-	1,333
RDEC credit	(129,996)	-
Share based payments expense	111,773	36,166
Operating cash flows before movement in working capital	2,545,104	1,834,324
Decrease/(increase) in receivables	340,848	99,615
(Decrease)/Increase in payables	(415,323)	(446,470)
Cash generated from operations	2,470,629	1,487,469
Taxation paid	(290,516)	(211,916)
Net cash inflow from operations	2,180,113	1,275,553

25. Operating lease commitments

Following the implementation of IFRS 16 – Leases, there are no longer any commitments arising as a result of operating leases that are not presented in the company's financial statements. As such, the following disclosure is included for comparative purposes only.
As at 31 December 2019 the company had annual commitments under non-cancellable operating leases as follows:

	2019 £ Land and building	2019 £ Other	2018 £ Land and building	2018 £ Other
Within one year	-	-	174,999	45,356
Within two and five years	-	-	500,666	47,971
Over five years	-	-	636,732	-
	-	-	1,312,397	93,327

Operating lease payments represents rentals payable by the company for certain of its offices, motor cars and other equipment. Rentals are fixed over the term of the lease, which varies from lease to lease.

	2019 £	2018 £
Operating lease payments recognised in the income statement for the year: -		
Equipment rental	-	6,158
Motor leases	-	47,143
Land and buildings	-	174,999
	-	228,300

26. Related Party Transactions

Ultimate parent undertaking

The ultimate parent undertaking is Altair Engineering Incorporated, a company registered in the USA, which is the smallest and largest group in which the results of the company are consolidated. The financial statements of Altair Engineering Incorporated are available from 1820E Big Beaver Road, Troy, Michigan, MI 48083-2031, USA. Altair Engineering Incorporated is also the group's ultimate controlling company.

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	2019 £	2018 £
Sales of goods and services from related parties		
Parent undertaking	1,947,003	1,191,423
Fellow subsidiaries	3,771,890	2,880,338
	5,718,893	4,071,761

	2019 £	2018 £
Purchase of goods and services from related parties		
Parent undertaking	7,529,746	1,070,307
Fellow subsidiaries	750,799	759,588
	8,280,545	1,829,895

	2019 £	2018 £
Amounts payable to related parties		
Parent undertaking	9,583,952	894,871
Fellow subsidiaries	50,133	79,865
	9,634,085	974,736

	2019 £	2018 £
Amounts receivable from related parties		
Fellow subsidiaries	1,857,547	977,024

26. Related Party Transactions (continued)

Compensation of key management personnel

The company has no key management personnel other than the directors, whose remuneration during the year is disclosed in note 10.

The remuneration of the director is determined by the company having regards to the performance of individuals and market trends.

27. Corporate information

Altair Engineering Limited is a limited company incorporated and domiciled in England within the United Kingdom. The address of the registered office is given in the company information page within these financial statements.

The financial statements are presented in sterling, which is the functional currency of the company.

28. Changes in accounting policies

As stated in note 1 'Significant Accounting Policies', the company elected to apply the modified retrospective method of adoption of IFRS 16 with the date of initial application of 1 January 2019.

The company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Measurement of lease liabilities

The reconciliation of differences between the operating lease commitments disclosure under the prior standard and the additional lease liabilities recognised on the balance sheet at 1 January 2019 is as follows:

	£
Operating lease commitments disclosed as at 31 December 2018	1,405,724
Short-term leases with exemption applied	(3,126)
Lease modifications/amendments as at 31 December 2018	(648,225)
Restated operating lease commitments	754,373
Impact of discounting	(45,640)
Adjustment in respect of accruals and prepayments	6,907
Adjustment as a result of service charges excluded from liability	(88,340)
Adjustments as a result of difference treatment of extension and termination options	(32,480)
Lease liability recognised at 1 January 2019	594,820
Comprising	
Current lease liabilities	178,399
Non-current lease liabilities	416,421
	594,820

28. Changes in accounting policies (continued)

Measurement of right-of-use assets

Right-of-use assets are measured at amounts equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised on the Statement of Financial Position as at 31 December 2018.

The recognised right-of-use assets relate to the following types of assets:

	£
Properties	517,953
Motor vehicles	76,610
Office equipment	7,164
Total right-of-use assets	601,727

The effect of adoption of IFRS 16 at 1 January 2019 is as follows:

	£
Assets	
Property, plant and equipment	601,727
Prepayments	13,730
Total Assets	615,457
Non current liabilities	
Lease liability	416,421
Current liabilities	
Lease liability	178,399
Accrued expenses	(6,823)
	171,576
Total liabilities	587,997
Total equity and liabilities	587,997

29. Post Balance Sheet Events

Impact of COVID-19

In March 2020, The World Health Organization declared the outbreak of COVID-19 a pandemic, and a public health emergency of international concern. The global spread of COVID-19 has created significant volatility and uncertainty in global financial markets. To limit the spread of COVID-19, governments have taken various actions including the issuance of travel restrictions, prohibitions of non-essential activities, shutdown of non-essential businesses, stay-at-home orders and social distancing guidelines. Accordingly, many businesses have adjusted to these actions by reducing or suspending operating activities. This has negatively impacted several of the markets we serve, including the automotive and aerospace markets.

29. Post Balance Sheet Events (continued)

The ensuing discussion is provided to summarize the impacts of COVID-19 upon the Company, inclusive of some of the principal measures undertaken by the Company to date to respond to the pandemic. It is difficult to predict with any level of precision the broad effects of COVID-19 on specific industries or individual companies. Locally or regionally imposed restrictions in concert with the duration of pandemic conditions may create disparate impacts across the globe, including the primary countries or regions in which the Company and its customers operate.

The impact from the rapidly changing market and economic conditions due to the COVID-19 outbreak is uncertain, disrupting the business of our customers and partners, and will impact our business and results of operations and could impact our financial condition in the future. A negative impact on our customers may cause them to request extended payment terms, delayed invoicing, higher discounts, lower renewal amounts or cancelations, and a reduction in demand for software related and client engineering services. These actions could have a negative impact on our financial results and liquidity. While adjustments in costs have been undertaken to mitigate the potential loss of revenue, primarily through the reduction in use of outside contractors, we believe that it is important on a long term basis to retain much of the deeply technical and specialized engineering resources typically engaged in providing software related services, while furloughing those employees associated with client engineering services for whom their associated customer contracts were interrupted or terminated.

In mid-March, we adopted several measures in response to the COVID-19 outbreak adhering to local and regional restrictions, including instructing employees to work from home, adjusting our expenses and cash flow to correlate with potential declines in billings and cash collections from customers, shifting certain of our customer events to online-only webcasts and restricting non-critical business travel by our employees. Historically, a portion of field sales, professional services and other activities were conducted in person. Currently, because of travel restrictions related to the ongoing COVID-19 outbreak, substantially all of our sales, professional services and other activities are being conducted virtually. We have developed contingency plans to reduce costs further if the current situation changes. We continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our associates, customers, suppliers and shareholders.

As COVID-19 expands its global reach, the health and safety of our employees, customers, and partners is paramount for us. We are committed to, and we believe we are capable of, continuing to provide the same excellent level of service and technical support for our customers during these uncertain times. Our team is comfortable and highly experienced with remote collaboration, as it is a normal part of our global culture. During this crisis, customers working remotely can move their existing licenses from their on-premise servers to hosted servers utilizing Altair Hosted HyperWorks Units or request temporary term-based software licenses for increased productivity and security. We are also providing access to an increased number of online training, marketing and sales resources.

We have almost entirely converted our business to being capable of operating nearly 100% "virtual" as required under COVID-19 restrictions, leveraging our global technology infrastructure. While our operations are capable of sustained operations primarily in a virtual environment, we expect that we will gradually resume normal operations, when permitted, based on local conditions and restrictions, with the primary focus of preserving employee welfare, while continuing to support customers. We have undertaken many measures to manage ongoing operating expenses given the uncertainties with the COVID-19 environment. Specifically, we have introduced temporary wage reductions, or other measures, in accordance with local labour laws and regulations, to reduce near term compensation costs. We have, where possible, negotiated reductions in costs for consultants, professional and advisory fees, and other costs. Given global travel restrictions, we have substantially reduced expenses for travel related costs while many sales and marketing activities have reverted to being virtualized, further reducing certain expenditures on a net basis.

We derive a significant portion of our revenue from international operations, which are primarily conducted in foreign currencies. Since we have substantial international operations that arise from our normal business operations, our financial results in 2020 are expected to be impacted by fluctuations in foreign currency exchange rates.

29. Post Balance Sheet Events (continued)

If business conditions were to deteriorate in a significant manner or for an extended duration within our customer base, the likelihood of impairment would increase and we would again assess whether events or changes in circumstances indicate an asset impairment that is more likely than not exists. Specifically, certain non-amortizing intangible assets from recent acquisitions valued on the basis of short-term forecasts of revenue will be re-assessed for indicators of impairment and it is possible that an impairment charge will be reflected in the future should COVID-19 business conditions worsen or extend substantially in duration.

As of the date of this report, we do not yet know the extent of the negative impact on our ability to attract, serve, retain or upsell customers. Furthermore, existing and potential customers may choose to reduce or delay technology spending in response to the COVID-19 outbreak, or attempt to renegotiate contracts and obtain concessions, which may materially and negatively impact our operating results, financial condition and prospects. While we have not incurred significant disruptions thus far from the COVID-19 outbreak, we are unable to accurately predict the full impact that COVID-19 will have due to numerous uncertainties, including the full scope of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to the businesses of our customers and partners and other factors identified. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. We will continue to evaluate the nature and extent of the impact to our business, results of operations, and financial condition.

	2019 £	2019 £	2018 £	2018 £
Revenue				
Sales		17,651,163		14,683,207
Cost of sales				
Purchases	5,141,801		4,859,908	
Subcontract costs	2,855,747		2,336,899	
		(7,997,548)		(7,196,807)
Gross Profit		9,653,615		7,486,400
Other income				
Government grant	473,227		605,645	
RDEC credit	129,996		-	
		603,223		605,645
Administration expenses				
Employment costs	6,082,559		4,863,726	
Establishment costs	239,727		380,604	
General administrative expenses	1,371,225		1,049,557	
Depreciation costs	406,384		198,047	
		(8,099,895)		(6,491,934)
Investment income		2,177		1,233
Finance charges		(39,055)		(10,434)
Profit on ordinary activities before taxation		2,120,065		1,590,910

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	2019 £	2018 £
Employment costs		
Wages and salaries	4,606,437	3,670,891
Staff NIC (Employers)	689,647	556,518
Staff pensions	363,574	297,789
Private health insurance	44,370	44,250
Subcontracted employees	124,171	133,214
Subcontracted employee expenses	58,690	53,897
Share based payments expense	111,773	36,166
Insurance	13,473	14,578
Staff training	31,965	28,961
Staff welfare	38,459	27,462
	6,082,559	4,863,726
Establishment costs		
Rent and rates	160,636	310,416
Light, heat and power	2,628	5,070
Insurance	50,436	39,007
Repairs and renewals	26,027	26,111
	239,727	380,604
General administrative expenses		
Telephone and fax	74,428	73,013
Computer software and maintenance costs	115,485	105,237
Printing, postage and stationery	27,566	37,507
Trade subscriptions	14,690	9,430
Charitable donations	20,028	10,026
Hire of office equipment	9,950	11,808
Cleaning	24,949	23,240
Auditor's remuneration	70,000	115,600
Legal and professional fees	105,821	102,086
Motor expenses	15,596	21,658
Motor repairs and renewals	2,857	2,448
Car hire and leasing expenses	19,388	61,359
Advertising	286,477	102,730
Travel and subsistence	365,941	328,370
Staff entertaining	20,362	15,499
Customer entertaining	2,307	1,323
Bad debts written off/(recoverable)	28,537	3,199
Foreign currency losses	166,843	25,024
	1,371,225	1,049,557

	2019	2018
	£	£
Depreciation costs		
Depreciation of leasehold improvements	27,916	13,892
Depreciation of office equipment	198,876	182,822
Depreciation of right-of-use assets	179,592	-
Loss on disposal of tangible fixed assets	-	1,333
	406,384	198,047
Investment income		
Bank interest receivable	2,177	1,233
Finance charges		
Bank charges	(15,146)	(10,334)
Bank & Other interest paid	(23,909)	(100)
	(39,055)	(10,434)

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