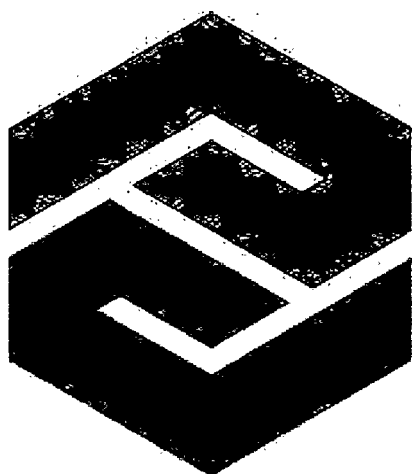


# Annual Report

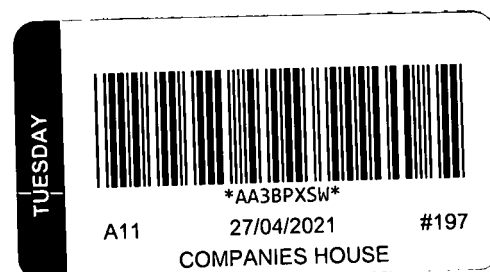
## Parametric Technology (UK) Limited

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**For the year ended 30 September 2020**



**Registered number: 02513030**



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## Company Information

<b>Directors</b>	Enrico Soldatini Axel Aurelio Heltzel
<b>Company number</b>	02513030 (England and Wales)
<b>Registered office</b>	Abbey House 282 Farnborough Road Farnborough, Hampshire England GU14 7NA
<b>Auditor</b>	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

# Strategic Report

For the year ended 30 September 2020

The directors present their strategic report on the company for the year ended 30 September 2020.

## The business

PTC is a global software and services company that delivers a technology platform and solutions to help companies design, manufacture, operate, and service things for a smart, connected world.

Our Internet of Things Group offers Industrial Internet of Things (IIoT) solutions that enable companies to connect smart things and environments, manage and analyse data generated by those things and environments, and create IIoT applications and Augmented Reality (AR) experiences that transform the way users create, operate, and service products. Our Solutions Group offers a portfolio of innovative Computer-Aided Design (CAD), Product Lifecycle Management (PLM) and Service Lifecycle Management (SLM) solutions that enable manufacturers to create, innovate, operate, and service products.

Our Customer Success solutions and services help customers unleash the full value of our software offerings. These include advisory services designed to provide strategic insights for operational, organisational and technological IoT transformation; implementation services; adoption services that include digital learning solutions and change enablement services; success management services that leverage data and systems to monitor and improve the customer experience; cloud services; and customer support resources and tools. Our principal Customer Success offerings are described below.

## Global Support

We offer global support plans for our software products. Participating customers receive updates that we make generally available to our support customers and also have direct access to our global technical support team of certified engineers for issue resolution. We also provide self-service support tools that allow our customers access to extensive technical support information. When products are purchased as a subscription, support is included as part of the subscription.

## Professional Services

We offer consulting, implementation, training and cloud services through our Global Professional Services Organisation, with approximately 900 professionals worldwide, as well as through third-party resellers and other strategic partners. Our services help customers improve product development performance through technology enabled process improvement and multiple deployment paths. Our cloud services customers receive hosting and 24/7 application management.

Parametric Technology (UK) Limited is distributing the products of the PTC Group and offers services for these products to customers in the United Kingdom.

## Key performance indicators

Total revenue increased by 37% (£8.6m) to £31.5m. While Licence revenue decreased by a further 6% (£0.04m) to £0.6m, Subscription revenue increased by 103% (£9.6m) to £18.8m. Software as a Service revenue increased by £1.1m to £2.6m while Hosting revenue remained stable at £0.7m. Maintenance revenue decreased by 17% (£1.4m) and consulting and training revenue decreased by 22% (£0.5m).

## Strategic Report (continued)

For the year ended 30 September 2020

In 2015, we began offering our customers the option to purchase subscription licences for most of our products, whereby a fee paid for the right to use our software is inclusive of the right to receive support services throughout the subscription term. Transitioning from a perpetual licensing model to a subscription licence model continues to be a priority for the company.

The increase in gross profit in 2020 by £0.05m (4%) whilst revenue increased by 37% is due to increase in the transfer price from 43% (2019) to 58% (average for the year). The company's profit for the financial year was £1.4m (2019: £1.4m).

The directors believe that the company has maintained its overall market share due to its broad engineering solution portfolio, the strategic acquisitions and continuous development and improvement of its products.

### Position of the business and future developments

Based on 2020 results, current economic conditions and spending patterns and the competitive strength of our products, we believe we are well-positioned in the markets we serve.

In 2015 the company started offering the customers an alternative to buying perpetual licences, to use the products in a "subscription model". Since 1 January 2018, with the exception of Kepware (a company that was acquired by PTC Inc. on 12 January 2016), all new contracts are subscription only, perpetual licences are no longer offered.

The directors, working closely with senior corporate management continue to drive the company's business. Parametric Technology (UK) Limited follows a strategy and goals that are in line with those of the ultimate parent company, PTC Inc. That company carries out research and development activities, including developing new releases of PTC software that work together in a more integrated fashion and that include functionality enhancements desired by our customers and the markets that we serve. Additionally, acquisitions may serve to strengthen the market position. Those activities are carried out under the guidance of our ultimate parent company, PTC Inc.

During the year a restructuring program took place to reduce future costs and increase efficiency. The cost of the restructuring was £1.2m (2019: £0.6m) and included 11 employees.

No impairment charge has been recognised on intangible assets in 2020 (2019: £nil). See note 11 for further details.

On 28 February 2020 the Board of Directors of Parametric Technology (UK) Limited passed a special resolution to reduce the Company's share premium account of £37,280,914 to nil and to credit a distributable reserve account, creating a distributable reserve upon registration of a copy of the required directors' solvency statement.

### Principal risks and uncertainties

The principal risk for the company is a downturn in the British Isles market for the products and services of the PTC Group. From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the PTC Group, which include those of the company, are discussed in PTC Inc.'s annual report which does not form part of this report.

The company's operations expose it to a variety of financial risks that include the effects of credit risk, changes in market prices, liquidity risk and interest rate cash flow risk.

# Strategic Report (continued)

For the year ended 30 September 2020

## Principal risks and uncertainties (continued)

### Brexit

Following the withdrawal of the United Kingdom from the European Union on 31 January 2020, we analysed the terms of future trade and other relationships with the European Union based on the agreement signed by the parties in December 2020. From our preliminary assessment, the impact for Parametric Technology (UK) Limited is minimal as our primary source of revenue is represented by the UK market. The PTC Group is working to mitigate potential risks that may arise as a result.

### Covid-19

In December 2019, the COVID-19 coronavirus surfaced. The virus has spread worldwide and has been declared a pandemic by the World Health Organization. The COVID-19 pandemic has significantly impacted global economic activity and has created macroeconomic uncertainty.

The extent to which the novel coronavirus COVID-19 may impact our business is uncertain and it could materially adversely affect our financial condition and results of operations. The COVID-19 pandemic has significantly impacted global economic activity and has created macroeconomic uncertainty. Public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions, temporary closures of businesses, and the adoption of remote working, have significantly changed the way we and our customers work. The effects and duration of this disruption remain uncertain.

Our results have been impacted, and we expect will continue to be impacted, by our ability to close large transactions, which has been adversely impacted by the COVID-19 pandemic as customers delay purchases due to the macroeconomic uncertainty and the inability to implement many of our solutions due to the on-site work generally required to do so. In addition, existing customers may renew fewer license subscriptions as their own operations are affected by the ongoing pandemic. Additionally, under the subscription license model, particularly sales of products in our growth business, customers may place smaller initial orders than under a perpetual license model. Sales of our products may have long lead times as they often follow a lengthy product selection and evaluation process and, for existing customers, are influenced by contract duration and expiration cycles. Accordingly, the amount of revenue attributable to large transactions, and the number of such transactions, may vary significantly based on customer purchasing decisions and macroeconomic conditions. This may cause volatility in our results.

The economic uncertainty caused by the COVID-19 pandemic has also caused our customers to focus on their liquidity. This focus on liquidity, or our customers' lack of liquidity, could adversely affect our cash flows if we make concessions in the amount or timing of payments due from customers or if our customers do not pay when or as expected. Moreover, some of our resellers may face liquidity challenges, which could adversely affect our cash flows if they do not pay us when or as expected.

Despite the challenges associated with the COVID-19 pandemic, we currently anticipate ARR, revenue, and operating income growth in FY'21. We expect churn to improve compared to FY'20 but remain slightly higher than it was in FY'19. We expect to have sufficient liquidity with cash on hand and cash generated from operations to meet our working capital requirements through at least the next twelve months.

We are continuously monitoring our financial situation with a focus on revenue, profitability and cash to be able to respond to material adverse effects on our operations. To date, there has been minimal impact on our business.

### Credit risk

The company has implemented policies that require appropriate credit checks on all potential customers before sales are made. No change in credit risk as a result of Covid-19 has been identified to date.

### Market Prices

The PTC Group seeks to continually modify and enhance the company's products to keep pace with changing technology and address customers' needs, any failure to do so could reduce demand for the company's products.

Parametric Technology (UK) Limited

## Strategic Report (continued)

For the year ended 30 September 2020


### Principal risks and uncertainties (continued)

#### Interest rate

The company has no debt outside of the PTC Group of companies. The company has no interest-bearing debt as of 30 September 2020 (2019: £nil).

The company does not use derivative financial instruments and as such no hedge accounting is applied.

On behalf of the Board

  
Axel Aurelio Heltzel  
Director

13 April 2021

# Directors' Report

For the year ended 30 September 2020

The directors present their report on the affairs of the company and the audited statutory financial statements of Parametric Technology (UK) Limited ("PTC") for the year ended 30 September 2020.

## Matters covered in the Strategic Report

A review of the business including future developments and principal risks and uncertainties are not shown in the Directors' Report as this information is included within the Strategic Report under s414C(11) of the Companies Act 2006.

## Employee information

Regular meetings are held between senior management and employee representatives to discuss matters of concern. Employees are kept well-informed about progress and position of the company by means of regular departmental meetings.

## Employment of disabled persons

The company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their aptitude and abilities. Disabled employees receive appropriate training to promote their career development within the company. Employees who become disabled are retained in their existing posts where applicable or retrained for suitable alternative posts.

## Directors

The directors of the company during the year to 30 September 2020 and up to the date of signing of the financial statements are as follows:

Enrico Soldatini

Axel Aurelio Heltzel (appointed on 1 April 2020)

Marina Stavriniades (resigned on 1 April 2020)

The directors of the company had the benefit of a qualifying indemnity provision throughout the financial year ending 30 September 2020 and is currently in force.

## Dividends

An interim dividend of £4.8m was declared and paid during the year. The directors do not recommend dividend payment for 2020 (2019: £nil).

## Going concern

Taking into consideration the company's 2020 results, the competitive strength of its products and the positioning in the markets served as well as the anticipated impact of COVID-19, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

## Research and development

The company carries out considerable R&D developments that result in several product upgrades. Innovation and development of existing technologies is and will be an ongoing activity.



Parametric Technology (UK) Limited

## Directors' Report

For the year ended 30 September 2020

### Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", 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 for the company financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

### Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that directors are aware, there is no relevant audit information of which the company's auditor is unaware, and
- that directors have taken all the steps that ought to have been taken as directors in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

### Auditor

Mazars LLP was reappointed as approved by shareholders on 13 April 2021 in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 13 April 2021 and is signed on its behalf.

  
Axel Aurelio Heltzel

Director

Company registration no: 02513030

# Independent Auditor's Report

## To the members of Parametric Technology (UK) Limited

### Opinion

We have audited the financial statements of Parametric Technology (UK) Limited (the 'company') for the year ended 30 September 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit 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. 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 directors are responsible for the other information. The other information comprises the information included in the annual 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

## **Independent Auditor's Report**

### **To the members of Parametric Technology (UK) Limited**

#### **(continued)**

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.

#### **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 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 not identified material misstatements in the Strategic Report or the 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 6, 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.

## Independent Auditor's Report To the members of Parametric Technology (UK) Limited (continued)

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

### Use of the audit 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.



Rachel Lawton (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

Date 22 April 2021

# Statement of Comprehensive Income

For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000 (Restated)
<b>Turnover</b>	5	31,482	22,911
Cost of sales		<u>(18,111)</u>	<u>(9,869)</u>
<b>Gross profit</b>		13,371	13,042
Administrative expenses		(21,593)	(21,636)
Other operating expenses		(58)	(92)
Other operating income		<u>9,771</u>	<u>10,123</u>
<b>Operating profit</b>		1,491	1,437
Interest payable and similar charges		(1)	(2)
Interest receivable and similar income	7	<u>11</u>	<u>14</u>
<b>Profit on ordinary activities before taxation</b>	6	1,501	1,449
Tax on profit on ordinary activities	9	<u>(76)</u>	<u>-</u>
<b>Profit for the financial year</b>		1,425	1,449
<b>Total comprehensive profit for the financial year</b>		<u>1,425</u>	<u>1,449</u>
<b>Profit for the year attributable to:</b>			
Owners of the parent		<u>1,425</u>	<u>1,449</u>
<b>Total comprehensive profit for the year attributable to:</b>			
Owners of the parent		<u>1,425</u>	<u>1,449</u>

All amounts relate to continuing operations.

The notes on pages 14 to 34 form part of these financial statements and include significant accounting policies.

Parametric Technology (UK) Limited

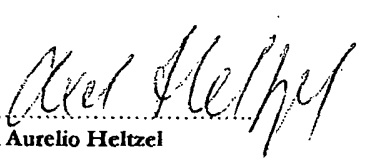
## Statement of Financial Position

As at 30 September 2020

Registered number: 02513030

	Note	2020 £'000	2019 £'000 (Restated)
<b>Fixed assets</b>			
Intangible assets	11	1,375	1,989
Tangible assets	12	223	358
		<u>1,598</u>	<u>2,347</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	10,438	14,269
Debtors: amounts falling due after more than one year	13	1,026	278
Cash at bank and in hand		700	300
		<u>12,164</u>	<u>14,847</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(9,847)</u>	<u>(9,798)</u>
<b>Net current assets</b>		<u>2,317</u>	<u>5,049</u>
<b>Total assets less current liabilities</b>		<b>3,915</b>	<b>7,396</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(187)</b>	<b>(66)</b>
<b>Provisions for liabilities</b>	16	<b>(90)</b>	<b>(117)</b>
<b>Net assets</b>		<u><b>3,638</b></u>	<u><b>7,213</b></u>
<b>Capital and reserves</b>			
Called up share capital	18	188	188
Share premium account	20	-	37,281
Profit and loss account	20	<u>3,450</u>	<u>(30,256)</u>
		<u><b>3,638</b></u>	<u><b>7,213</b></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 April 2021.

  
 Axel Aurelio Heltzel  
 Director

# Statement of changes in equity

As at 30 September 2020

	Note	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>Balance as at 1 October 2018 as previously reported</b>		188	37,281	(30,967)	6,502
Prior year adjustment	26	-	-	222	222
<b>At 1 October 2018, as restated</b>		<b>188</b>	<b>37,281</b>	<b>(30,745)</b>	<b>6,724</b>
<b>Year ended 31 September 2019:</b>					
Profit for the year	26	-	-	1,449	1,449
Recharge in respect of share options granted to employees	24	-	-	(960)	(960)
<b>Balance as at 30 September 2019 as restated</b>		<b>188</b>	<b>37,281</b>	<b>(30,256)</b>	<b>7,213</b>
<b>Year ended 31 September 2020:</b>					
Profit for the year		-	-	1,425	1,425
Share premium	19	-	(37,281)	37,281	-
Recharge in respect of share options granted to employees	24	-	-	(200)	(200)
Total comprehensive income		-	(37,281)	38,506	1,225
Dividends	10	-	-	(4,800)	(4,800)
<b>Balance as at 30 September 2020</b>		<b>188</b>	<b>-</b>	<b>3,450</b>	<b>3,638</b>

The notes on pages 14 to 34 form part of these financial statements and also include significant accounting policies.

# Notes to the financial statements

For the year ended 30 September 2020

## 1. Company information

Parametric Technology (UK) Ltd is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is Abbey House, 282 Farnborough Road, Farnborough, Hampshire, England, GU14 7NA. The financial statements have been prepared using sterling as the presentation currency rounded to the nearest thousand.

## 2. Basis of preparation

These financial statements for the year ended 30 September 2020 have been prepared in accordance with FRS 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' issued by the Financial Reporting Council, and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis, unless otherwise stated.

In preparing these financial statements, the company has taken advantage of the disclosure exemptions, as permitted by FRS 102 paragraph 1.12. The company has therefore complied with the applicable conditions.

The company has taken advantage of the following exemptions in preparing the company financial statements:

- (i) from preparing a Cash Flow Statement in accordance with Section 7 'Cash Flow Statements';
- (ii) from providing the financial instrument disclosures, required under paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as this information is provided in the consolidated financial statement;
- (iii) from disclosing the company's key management personnel compensation, as required by paragraph 7 of Section 33 'Related Party Disclosures'; and
- (iv) from disclosing share based payment arrangements, required under paragraphs 26.18(c), 26.19 to 26.21 and 26.23 concerning its own equity instruments.

## Going concern

Taking into consideration the company's 2020 results, the competitive strength of its products and the positioning in the markets served, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.



# Notes to the financial statements (continued)

For the year ended 30 September 2020

## 3. Critical accounting judgements and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

The most important accounting judgments and estimates that we made in preparing the financial statements involved:

- Revenue recognition, and
- Valuation of goodwill and intangibles

### Revenue Recognition

Our sources of revenue include: (1) licence, (2) subscription, (3) software as a service (4) Hosting, (5) Maintenance and (6) consulting and training revenue.

During the year ended as of September 30, 2020, the Company changed the revenue recognition accounting policy for licence subscriptions. Following a review of the revenue recognition policy across the group, it was determined that contracts included both goods and services and that revenue would be recognised for each separately identifiable component of a contract. For on-premise subscription contracts, it was identified that there were different performance obligations (e.g. licencing, cloud and support). Once the subscription licence was made available to the customer and they were able to use this freely, the company had no further obligations. As such, the risks and rewards of ownership are deemed to have transferred at the point meaning revenue should be recognised at point in time

In line with section 10 of FRS 102, the change in accounting policy has been applied retrospectively and opening balances restated as if the policy had always been applied. The impact of this can be seen in Note 26.

The amount of revenue recognised reflects the consideration that we expect to be entitled to receive in exchange for these products or services. To achieve the core principle of this standard, we apply the following five steps:

- (1) identify the contract with the customer,
- (2) identify the performance obligations in the contract,
- (3) determine the transaction price,
- (4) allocate the transaction price to performance obligations in the contract, and
- (5) recognise revenue when or as we satisfy a performance obligation.

We enter into contracts that include combinations of license, support and professional services, which are accounted for as separate performance obligations with differing revenue recognition patterns referenced below.

Performance Obligation	When Performance Obligation is Typically Satisfied
Term-based subscriptions	
On-premises software licenses	Point in Time: Upon the later of when the software is made available or the subscription term commences
Support and cloud-based offerings	Over Time: Ratably over the contractual term; commencing upon the later of when the software is made available or the subscription term commences
Perpetual software licenses	Point in Time: when the software is made available
Support for perpetual software licenses	Over Time: Ratably over the contractual term
Professional services	Over time: As services are provided

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

#### Revenue Recognition (continued)

##### *Judgments and Estimates*

Our contracts with customers for subscriptions typically include commitments to transfer term-based, on-premises software licenses bundled with support and/or cloud services. On-premises software is determined to be a distinct performance obligation from support which is sold for the same term of the subscription. For subscription arrangements which include cloud services and on-premises licenses, we assess whether the cloud component is highly interrelated with the on-premises term-based software licenses. Other than a limited population of subscriptions, the cloud component is not currently deemed to be interrelated with the on-premises term software and, as a result, cloud services are accounted for as a distinct performance obligation from the software and support components of the subscription.

Judgment is required to allocate the transaction price to each performance obligation. We use the estimated standalone selling price method to allocate the transaction price for items that are not sold separately. The estimated standalone selling price is determined using all information reasonably available to us, including market conditions and other observable inputs. The corresponding revenues are recognised as the related performance obligations are satisfied. Where subscriptions include on-premises software and support only, we determined that 55% of the estimated standalone selling price for subscriptions is attributable to software licenses and 45% is attributable to support for those licenses. Some of our subscription offerings include a combination of on-premises and cloud-based technology. In such cases, the cloud-based technology is considered distinct and receives an allocation of 5% to 50% of the estimated standalone selling price of the subscription. The amounts allocated to cloud are based on assessment of the relative value of the cloud functionality in the subscription, with the remaining amounts allocated between software and support.

Our multi-year, non-cancellable on-premises subscription contracts provide customers with an annual right to exchange software within the original subscription with other software. Although the exchange right is limited to software products within a similar product grouping, the exchange right is not limited to products with substantially similar features and functionality as those originally delivered. We determined that this right to exchange previously delivered software for different software represents variable consideration to be accounted for as a liability. We have identified a standard portfolio of contracts with common characteristics and applied the expected value method of determining variable consideration associated with this right. Additionally, where there are isolated situations that are outside of the standard portfolio of contracts due to contract size, longer contract duration, or other unique contractual terms, we use the most likely amount method to determine the amount of variable consideration. In both circumstances, the variable consideration included in the transaction price is constrained to the extent it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For the year ended as of September 30, 2019 we recorded revenues for software related deliverables when the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred (electronic distribution), (3) the fee is fixed or determinable, and (4) collection is probable. We exercise judgment and use estimates in connection with determining the amounts of software license and services revenues to be recognised in each accounting period. Our primary judgments involve the following:

- determining whether collection is probable;
- assessing whether the fee is fixed or determinable;

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

#### Revenue Recognition (continued)

- determining whether service arrangements, including modifications and customisation of the underlying software, are not essential to the functionality of the licensed software and thus would result in the revenue for license and service elements of an agreement being recorded separately; and
- determining the fair value of services and support elements included in multiple-element arrangements, which is the basis for allocating and deferring revenue for such services and support.

Our software is distributed primarily through our direct sales force. In addition, we have an indirect distribution channel through alliances with resellers. Revenue arrangements with resellers are generally recognised on a sell-through basis; that is, when we deliver the product to the end-user customer. We record consideration given to a reseller as a reduction of revenue to the extent we have recorded revenue from the reseller. We do not offer contractual rights of return, stock balancing, or price protection to our resellers, and actual product returns from them have been insignificant to date. As a result, we do not maintain reserves for reseller product returns.

#### Valuation of Intangibles including Goodwill

At each reporting date, we assess whether there is any indication that an asset may be impaired using external and internal sources of information. Factors we consider important that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in our use of the acquired assets or a significant change in the strategy for our business, significant negative industry or economic trends, a significant decline in our stock price for a sustained period, or a reduction of our market capitalisation relative to net book value.

To conduct our impairment test, the fair value of each reporting unit is compared to its carrying value. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss equal to the difference between the carrying value of goodwill and its implied fair value. We estimate the fair values of our reporting units using discounted cash flow valuation models. Those models require estimates of future revenues, profits, capital expenditures, working capital, terminal values based on revenue multiples, and discount rates for each reporting unit. We estimate these amounts by evaluating historical trends, current budgets, operating plans and industry data. When completing our annual goodwill impairment review for 2020 we concluded that no impairment charge was required (2019: £nil), for more details see note 4.2 and 11.

### 4. Principal accounting policies

#### 4.1. Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- |                                |                |
|--------------------------------|----------------|
| - Goodwill                     | 10 to 11 years |
| - Customers lists & trademarks | 7 to 10 years  |

Intangible assets are reviewed annually for signs of impairment. Where there are signs of impairment the carrying value is compared to the recoverable amount based on expected future cash flows.

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 4. Principal accounting policies (Continued)

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefitted.

#### 4.2. Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Furniture and equipment 3 years
- Computer hardware and software 3 years
- Leasehold improvements Over the lease term

#### 4.3. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 4.4. Financial instruments

Basic financial instruments are measured at transaction price and subsequently measured at amortised cost using the effective interest method. A financial asset or liability that is repayable on demand is measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

#### 4.5. Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 4.6. Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 4. Principal accounting policies (Continued)

#### 4.7. Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence and is included within accruals (note 14).

#### 4.8. Turnover

Turnover is derived from sale of subscriptions, perpetual software and licenses, perpetual licensing support, cloud services and professional services consisting of training, consulting and maintenance. The revenue from the subscription is made up of timed licenses under which customers use our software and receive related support for a certain period.

A new accounting policy for the recognition of revenues was adopted during the year.

Our customer contracts may include both goods and services. Under our new policy, revenues are recognised for each performance obligation that can be identified separately under the contract. As a result, our on-premise subscription contracts are broken down into multiple performance obligations (e.g., licensing, cloud, and support). Determining whether software licenses and cloud services are distinct from each other and therefore the performance obligations to be taken into account separately, or not distinct from each other, and therefore part of a single performance obligation, required a significant level of judgment.

To date, for most of our products, we have concluded that the on-premises software licenses and cloud services provided in our subscription offerings are distinct from each other and that therefore the revenues from each performance obligation within the offer must be recognised separately.

The license part of our on-premises subscription contracts (about 50% to 55%) are recognised in advance and cloud and support portions (about 45% to 50%) are recognised in such a way during the course of the term.

Perpetual licenses are a perpetual right to use the software, for which revenues are generally recognised in advance at the time of shipment to the customer.

Support revenues consist of contracts for the maintenance of new and/or previously purchased licences, for which revenues are recognised in a rational manner during the duration of the contract. Commitments relating to professional services generally result from the sale of new licences and for which revenues are recognised during the provision of services.

As outlined in Note 3, the Company have changed the revenue recognition accounting policy during the year. The impact of this is shown in Note 26.

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 4. Principal accounting policies (Continued)

#### 4.9. Other operating income

Other operating income includes charges for the provision of training and other services to group companies and the reimbursement of research and development expenditure incurred by Parametric Technology (UK) Limited on behalf of other group companies.

#### 4.10. Functional Currency

The primary economic environment of the company is the United Kingdom. As a result of that the functional currency is pound sterling.

#### 4.11. Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the company is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 4.12. Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 4. Principal accounting policies (Continued)

#### 4.13. Foreign currency translation

In preparing the financial statements, transactions in currencies other than the functional currency of the company (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

#### 4.14. Research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

#### 4.15. Share based payments

The PTC group issues equity-settled share based payments to certain employees of the company. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on estimates of shares that will eventually vest. At each vesting date, the value of the shares is recharged to the Company using the share value at that respective date. The excess of intercompany recharge is recognised as a distribution in the Profit and Loss Account. At each balance sheet date, the company revises its estimates of the number of equity settled share based payments that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

# Notes to the financial statements (continued)

For the year ended 30 September 2020

## 5. Turnover

Turnover, analysed geographically between markets, was as follows:

	2020 £'000	2019 £'000 (Restated)
United Kingdom	29,958	21,830
Rest of the world	1,524	1,081
	<u>31,482</u>	<u>22,911</u>

Turnover, analysed by category, was as follows:

	2020 £'000	2019 £'000 (Restated)
Licence revenue	605	646
Subscription revenue	18,809	9,249
Software as a Service revenue	2,635	1,493
Hosting revenue	647	778
Maintenance revenue	6,882	8,304
Consulting and training revenue	1,904	2,441
	<u>31,482</u>	<u>22,911</u>

## 6. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2020 £'000	2019 £'000 (Restated)
Amortisation of intangible assets	614	615
Depreciation of tangible assets	186	220
Operating lease rentals:		
-plant and machinery	12	12
-other	348	521
Research and development	(5,393)	(6,002)
Employee restructuring	1,159	592
Foreign exchange losses	28	107
Fees payable to the company's auditor for the audit of the company's annual accounts	30	30
Fees payable to the company's auditor for other services:		
- Tax compliance services	36	-



# Notes to the financial statements (continued)

For the year ended 30 September 2020

## 7. Interest receivable and similar income

	2020 £'000	2019 £'000 (Restated)
Intercompany Interest Income	9	14
Other Interest Income	2	-
	<b>11</b>	<b>14</b>

## 8. Directors and employees

Staff costs during the year were as follows:

	2020 £'000	2019 £'000 (Restated)
Wages and salaries	12,827	13,049
Social security costs	1,872	1,843
Stock based compensation (note 24)	1,931	2,347
Other pension costs (note 22)	613	572
	<b>17,242</b>	<b>17,810</b>

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider.

# Notes to the financial statements (continued)

For the year ended 30 September 2020

## 8. Directors and employees (Continued)

The average number of employees of the group during the year was:

	2020 Number	2019 Number
Sales	12	51
General administration	57	11
Support services	29	32
Technical development	38	48
	<u>136</u>	<u>142</u>

No directors are remunerated for their services as directors of Parametric Technology (UK) Limited (2019: £nil). No directors were entitled to retirement benefits under any pension scheme at 30 September 2020 (2019: none). None of the directors exercised share options during the year. The directors are employed by the group and their services to the company are incidental.

During the year a restructuring program took place to reduce future costs and increase efficiency. The cost of the restructuring was £1.2m (2019: £0.6m) and included 11 employees.

## 9. Tax on profit on ordinary activities

	2020 £'000	2019 £'000 (Restated)
<b>Analysis of tax charge for the period</b>		
<i>Current tax</i>		
UK Corporation Tax at 19%	38	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Adjustments to brought forward values	38	-
Tax on results on ordinary activities	<u>76</u>	<u>-</u>
<b>Provision for deferred tax</b>		
<i>Movement in Provision</i>		
Provision at start of period	-	-
Deferred tax charged in Statement of comprehensive income for the period	-	-
Provision at end of the year	<u>-</u>	<u>-</u>
Deferred tax asset not recognised	<u>6,614</u>	<u>7,055</u>

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 9. Tax on profit on ordinary activities (Continued)

	2020 £'000	2019 £'000 (Restated)
<b>Reconciliation of tax charge</b>		
Profit on ordinary activities before tax	<u>1,501</u>	<u>1,449</u>
Tax on loss on ordinary activities at standard CT rate of 19% (2019: 19%)	285	275
Effects of:		
Fixed assets differences	52	42
Income not taxable for tax purposes	(15)	(188)
Expenses not deductible for tax purposes	118	126
Adjustments to brought forward values	38	42
Other permanent differences	-	-
Adjustments to tax charge in respect of previous periods	-	-
Timing differences not recognised in the computation	-	-
Adjust closing deferred tax to average rate of 19%	-	-
Adjust opening deferred tax to average rate of 19%	-	-
Deferred tax not recognised	<u>(402)</u>	<u>(297)</u>
Tax charge for the period	<u>76</u>	<u>-</u>

### 10. Dividends

An interim dividend of £4.8m was declared and paid during the year. The directors do not recommend the payment of a dividend (2019: £nil).

# Notes to the financial statements (continued)

For the year ended 30 September 2020

## 11. Intangible fixed assets

	Trademarks £'000	Customer lists £'000	Goodwill £'000	Total £'000
<b>Cost</b>				
At 1 October 2019 at 30 September 2020	29	2,704	16,651	19,384
Additions	-	-	-	-
<b>At 30 September 2020</b>	<b>29</b>	<b>2,704</b>	<b>16,651</b>	<b>19,384</b>
<b>Amortisation and impairment</b>				
At 1 October 2019	29	2,008	15,358	17,395
Charge for the year	-	183	431	614
Impairment loss	-	-	-	-
<b>At 30 September 2020</b>	<b>29</b>	<b>2,191</b>	<b>15,789</b>	<b>18,009</b>
<b>Net book amount at 30 September 2020</b>	<b>-</b>	<b>513</b>	<b>862</b>	<b>1,375</b>
Net book amount at 30 September 2019	-	696	1,293	1,989

Amortisation of intangible assets is included in administrative expenses.

## 12. Tangible fixed assets

	Furniture and equipment £'000	Computer hardware & software £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>				
At 1 October 2019	88	1,475	283	1,846
Additions	-	128	9	137
Disposals	(15)	(2)	(188)	(205)
<b>At 30 September 2020</b>	<b>73</b>	<b>1,601</b>	<b>104</b>	<b>1,778</b>
<b>Depreciation</b>				
At 1 October 2019	79	1,234	174	1,488
Charge for the year	10	153	23	186
Disposals	(16)	(1)	(102)	(119)
<b>At 30 September 2020</b>	<b>73</b>	<b>1,386</b>	<b>95</b>	<b>1,555</b>
<b>Net book amount at 30 September 2020</b>	<b>-</b>	<b>215</b>	<b>9</b>	<b>223</b>
Net book amount at 30 September 2019	9	241	109	358

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 13. Debtors

	2020 £'000	2019 £'000 (Restated)
<b>Amounts falling due within one year:</b>		
Trade debtors	4,585	4,962
Amounts owed by group undertakings	1,773	8,647
Other debtors	3	199
Prepayments and accrued income	4,077	461
	<u>10,438</u>	<u>14,269</u>
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	863	118
Other debtors	163	160
	<u>1,026</u>	<u>278</u>

Amounts owed by group undertakings relate to the recharge of costs borne by the company on behalf of other group entities. They are unsecured, repayable on demand and bear interest computed on the daily balance at a rate equivalent to LIBOR rate plus 0.5% (where PTC (IFSC) Limited, a PTC Inc. group company registered in Ireland, is the Lender) or at a rate equivalent to LIBOR rate minus 0.5% (where the company is the Lender) on a basis of 360 days. PTC (IFSC) Limited or an agent on its behalf shall advise the company of such interest rate at the end of each month.

### 14. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000 (Restated)
Trade creditors	239	336
Amounts owed to group undertakings	-	972
Taxation and social security	1,125	791
Accruals and deferred income	8,483	7,699
	<u>9,847</u>	<u>9,798</u>

Amounts owed to group undertakings relate to the recharge of costs borne by other group entities on behalf of the company. They are interest free, unsecured and repayable upon demand.

### 15. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000 (Restated)
Long term deferred income	<u>187</u>	<u>66</u>

# Notes to the financial statements (continued)

For the year ended 30 September 2020

## 16. Provisions for liabilities

	Onerous lease	Dilapidations	Total
	£'000	£'000	£'000
At 1 October 2019	(9)	(108)	(117)
Additions	-	(9)	(9)
Utilised	-	35	35
Reversals	-	1	1
<b>At 30 September 2020</b>	<b>(9)</b>	<b>(81)</b>	<b>(90)</b>

### Onerous lease provision

Since 30 June 2016, the entire Swindon facility is no longer utilised. The lease expiration date was 11 August 2020 with an early termination option on 8 May 2019. The total provision included at 30 September 2020 is £9k (2019: £9k).

### Dilapidations provision

The dilapidations provision includes the estimated restoration costs for all six leased facilities, the provision for the restructured facility was fully utilised during the year. The provisions are accrued on a straight line basis over the initial lease term.

## 17. Deferred taxation

The unrecognised deferred taxation asset is as follows:

	2020 £'000	2019 £'000 (Restated)
Accelerated capital allowances	1,045	1,045
Short term timing differences	184	213
Losses	5,385	5,797
<b>Total deferred tax asset not recognised</b>	<b>6,614</b>	<b>7,055</b>
At 1 October 2019	<b>7,055</b>	6,514
Utilisation of losses	(374)	(300)
Other deferred tax movements	(29)	3
Prior year adjustment	(38)	838
<b>At 30 September 2020</b>	<b>6,614</b>	<b>7,055</b>

In the directors' opinion it is uncertain as to when and whether the deferred tax asset will crystallise and accordingly it has not been recognised.

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%. At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

# Notes to the financial statements (continued)

For the year ended 30 September 2020

## 18. Called up share capital

	2020 £'000	2019 £'000
<b>Allotted and fully paid:</b>		
188,203 (2019: 188,203) ordinary shares of £1 each	188	188

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the company.

## 19. Share premium account

On 28 February 2020 the Board of Directors of Parametric Technology (UK) Limited passed a special resolution to reduce the Company's share premium account of £37,280,914 to nil and to credit a distributable reserve account.

## 20. Reserves

### Share premium account

This reserve represents any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

### Profit and loss account

This reserve represents the cumulative profits and losses.

### Other reserves

This reserve represents the equity incentive plan outlined in note 24.

## 21. Leasing commitments

The company's future minimum operating lease payments are as follows:

	2020		2019	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Within one year	438	8	430	2
Between one and five years	94	5	187	-
Total	532	13	617	2

## 22. Pension commitments

The company operates a number of defined contribution pension schemes. The assets of the schemes are held in independently administered funds. The contributions to the schemes payable by the company for the year were £0.6m (2019: £0.5m). The contributions outstanding as at the balance sheet date were £0.1m (2019: £0.1m).

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 23. Related party transactions

The company is a wholly owned subsidiary of Parametric Holdings (UK) Limited, and as such has taken advantage of the exemption permitted by FRS 102 section 33 'Related party disclosures' not to provide disclosures of transactions entered into with wholly owned members of the group. The company undertakings are included within the consolidated financial statements of PTC Inc., which are publicly available and can be obtained from its registered office at Abbey House, 282 Farnborough Road, Farnborough, Hampshire, England, GU14 7NA.

### 24. Equity incentive plan

The 2000 Equity Incentive Plan (2000 Plan) of the ultimate holding company, PTC Inc. provides for the grants of non-qualified and incentive stock options, common stock, restricted stock, restricted stock units and stock appreciation rights to its employees, directors, officers and consultants. The United Kingdom employees participate in this plan.

The company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. That cost is recognised over the period during which an employee is required to provide service in exchange for the award.

Until 2005, the company generally granted stock options. For those options, the option exercise price was typically the fair market value at the date of grant, and they generally vested over three years and expire ten years from the date of grant. The fair value of options was estimated at the date of grant using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. No stock options have been granted since 2005 to United Kingdom employees. There were no stock option movements during the last two years.

#### Restricted Stock Units

Since 2005, the parent company has awarded restricted stock units as the principal equity incentive awards for the company's employees. Each restricted stock unit represents the contingent right to receive one share of PTC Inc. common stock. The fair value of restricted stock units is based on the fair market value of PTC Inc. stock on the date of grant, and they are generally vested over a three-year period.

The fair value of restricted stock units granted in the year was £3.0m (2019: £1.9m).



## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 24. Equity incentive plan (continued)

A reconciliation of restricted stock unit movements over the year to 30 September is shown below:

	2020		2019	
<b>Time Based Awards</b>				
	Shares	Weighted average grant date price	Shares	Weighted average grant date price
Outstanding at 1 October	50,545	\$ 58.00	57,162	\$ 58.00
Granted	49,417	\$ 76.05	28,361	\$ 83.73
Transfers in	-	\$ 0.00	191	\$ 83.99
Transfers out	-	-	-	-
Vested	(30,699)	\$ 69.24	(31,095)	\$ (53.02)
Forfeited	(5,797)	\$ 77.92	(4,074)	\$ (67.05)
<b>Outstanding at 30 September</b>	<b>63,466</b>	<b>\$ 74.87</b>	<b>50,545</b>	<b>\$ 58.00</b>

	2020		2019	
<b>Performance Based Awards</b>				
	Shares	Weighted average grant date price	Shares	Weighted average grant date price
Outstanding at 1 October	3,092	\$ 53.89	6,185	\$ 53.89
Granted	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Vested	(3,092)	\$ 53.89	(3,093)	\$ (53.89)
Forfeited	-	-	-	-
<b>Outstanding at 30 September</b>	<b>-</b>	<b>\$ 0.00</b>	<b>3,092</b>	<b>\$ 53.89</b>

Note – the weighted average exercise prices are in US Dollar (exchange rate of 1.2688).

The total charge for the year relating to employee restricted stock-based compensation was £1,731,752 (2019: £1,387,588), all of which related to equity-settled share-based payment transactions.

A movement of £200k (2019: £960k) has been recognised as a distribution in the Profit and Loss Account. This is the excess intercompany recharge for the share based payment and has been accounted for as a distribution to the parent company.

As each restricted stock grant vests, PTC Inc. cross charge the costs associated at the prevailing market value of the stock at point of vesting.

## Notes to the financial statements (continued)

For the year ended 30 September 2020

### 25. Ultimate parent undertaking and controlling party

The company's immediate parent company at 30 September 2020 was Parametric Holdings (UK) Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and the parent of the smallest and largest group for which group financial statements are prepared and of which Parametric Technology (UK) Limited is a member, is PTC Inc., a company incorporated in the Commonwealth of Massachusetts.

Copies of these consolidated financial statements can be obtained from:

Parametric Technology (UK) Limited

Abbey House

282 Farnborough Road

Farnborough

Hampshire

England

GU14 7NA

PTC Inc. is the ultimate controlling party.

### 26. Prior period adjustment

During the year ended as of September 30, 2020, the Company changed the revenue recognition accounting policy for licence subscriptions. In line with section 10 of FRS 102, the change in accounting policy has been applied retrospectively and opening balances restated as if the policy had always been applied. The impact of this is presented below.

	Year ended 30 September 2018		
	As previously stated	Restatement	Restated
	£'000	£'000	£'000
Revenue	25,730	7,404	33,134
Cost of sales	(14,485)	(7,182)	(21,667)
Profit/(loss) after taxation	1,585	222	1,807

# Notes to the financial statements (continued)

For the year ended 30 September 2020

## 26. Prior period adjustment (continued)

### Statement of Financial Position

	Year ended 30 September 2018		
	As previously stated £'000	Restatement £'000	Restated £'000
<b>Current assets</b>			
Prepayments and accrued income	485	5,248	5,733
Amounts owed by group undertakings	-	-	-
Total assets	<u>20,709</u>	<u>5,248</u>	<u>25,957</u>
<b>Current liabilities</b>			
Accruals and deferred income	11,406	(2,155)	9,251
Amounts owed to group undertakings	-	7,182	7,182
Total liabilities	<u>14,207</u>	<u>5,026</u>	<u>19,233</u>
Retained earnings	<u>(30,967)</u>	<u>222</u>	<u>(30,745)</u>
Total equity	<u>6,502</u>	<u>222</u>	<u>6,724</u>

### Statement of Comprehensive Income

	Year ended 30 September 2019		
	As previously £'000	Restatement £'000	Restated £'000
Revenue	25,657	(2,746)	22,911
Cost of sales	(12,408)	2,540	(9,869)
Administrative expenses	(21,761)	126	(21,635)
Profit/(loss) after taxation	<u>1,530</u>	<u>(81)</u>	<u>1,449</u>

# Notes to the financial statements (continued)

For the year ended 30 September 2020

## 26. Prior period adjustment (continued)

### Statement of Financial Position

	Year ended 30 September 2019		
	As previously £'000	Restatement £'000	Restated £'000
<b>Current assets</b>			
Amounts recoverable on contracts	310	4	314
Amounts owed by group undertakings	12,317	(3,670)	8,647
Total assets	<u>20,860</u>	<u>(3,666)</u>	<u>17,194</u>
		-	
<b>Current liabilities</b>			
Accruals and deferred income	12,534	(4,834)	7,700
Long term deferred income	11	55	66
Amounts owed to group undertakings	-	972	972
Total liabilities	<u>13,788</u>	<u>(3,807)</u>	<u>9,981</u>
Retained earnings	<u>(31,927)</u>	<u>222</u>	<u>(31,705)</u>
Total equity	<u>7,072</u>	<u>141</u>	<u>7,213</u>