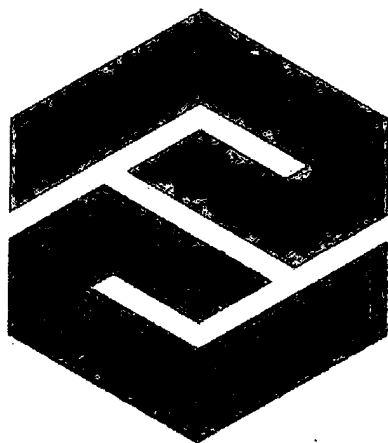


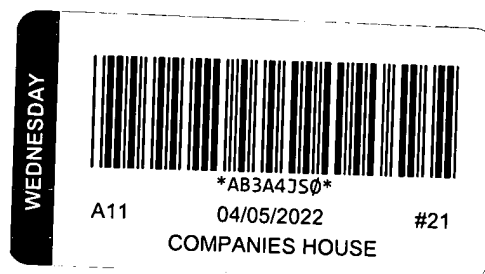
# Annual Report Parametric Technology (UK) Limited

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**For the year ended 30 September 2021**



**Registered number: 02513030**



Parametric Technology (UK) Limited

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Parametric Technology (UK) Limited

## Company Information

<b>Directors</b>	Eamonn Thomas Clarke 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 30 Old Bailey London EC4M 7AU

Parametric Technology (UK) Limited

## Strategic Report

For the year ended 30 September 2021

The directors present their strategic report on the company for the year ended 30 September 2021.

### The business

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

PTC is a global software and services company that enables industrial companies to improve growth and profitability with a portfolio of innovative digital solutions that work together to transform how physical products are engineered, manufactured, and serviced. Our award-winning technology portfolio spans the computer-aided design (CAD), product lifecycle management (PLM), Industrial Internet of Things (IIoT), and Augmented Reality (AR) markets. Our technology can be delivered on premises, in the cloud, or in a hybrid model.

Our customer base includes some of the world's most innovative manufacturers in the aerospace and defense, automotive, electronics and high tech, industrial machinery and equipment, life sciences, oil and gas, retail and consumer products industries. Our solutions enable industrial companies to create a closed loop of information shared across their organisation's entire value chain. This "digital thread" can drive excellence in engineering, efficiency in manufacturing operations and service delivery, and innovation across product offerings and business models. With our solutions, digital transforms physical.

As a purpose-driven company, we don't just imagine a better world, we help create it. Our purpose statement - Power To Create – is a commitment to our customers to help them solve difficult challenges; a commitment to our employees to build a culture that supports diversity, equity, and inclusion so they can achieve their greatest potential; and a commitment to support the communities our employees live and work in globally.

We generate revenue through the sale of software subscriptions, which include license access and support (technical support and software updates); support for existing perpetual licenses; professional services (consulting, implementation, and training); and cloud services (hosting for our software and SaaS).

We compete in the CAD, PLM, IIoT and AR markets. The markets we serve present different growth opportunities for us. We see greater opportunity for market growth for our IIoT and AR solutions for the enterprise and our SaaS solutions, followed by more moderate market growth for our on-premise CAD and PLM solutions, both of which have been growing faster than their respective market growth rates.

### Key performance indicators

Total revenue increased by 11% (£3.4m) to £34.8m. While Licence revenue decreased by a further 9% (£0.05m) to £0.5m, Subscription revenue increased by 24% (£4.5m) to £23.3m. Software as a Service revenue remained stable at £2.57m while Hosting revenue decreased by 7% (£0.04m) to £0.6m. Maintenance revenue decreased by 20% (£1.3m) and consulting and training revenue increased by 18% (£0.3m).

Parametric Technology (UK) Limited

## Strategic Report (continued)

For the year ended 30 September 2021

The increase in gross profit in 2021 by £2.2m (16%) is in line with revenue increase by £3.4m (11%) while cost of sales increased only by £1.2m (6%). The company's profit for the financial year was £2.0m, 40% higher than last year (2020: £1.4m) driven mainly by higher gross profit partially offset by lower other operating income.

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 2021 results, current economic conditions, spending patterns and the competitive strength of our products, we believe we are well-positioned in the markets we serve.

No restructuring program took place during 2021. The cost of the restructuring was for 2020 was £1.2m and included 11 employees.

No impairment charge has been recognised on intangible assets in 2021 (2020: £nil). See note 11 for further details.

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 and include functionality enhancements desired by our customers and the wider market. Additionally, acquisitions may serve to strengthen the market position. Those activities are carried out under the guidance of our ultimate parent company, PTC Inc.

In November 2021, we committed to a plan to restructure our workforce and consolidate selected facilities. This enabled us to align our customer facing and product-related functions with SaaS industry best practices and accelerate the opportunity for our on-premise customers to move to the cloud. The expected savings from the restructuring will be re-invested in the business. The restructuring is expected to result in a charge and cash payments of approximately £0.6m to £0.7m in 2022.

### Principal risks and uncertainties

The principal risk for the company is a downturn in the United Kingdom market for the products and services of the PTC Group. From the perspective of the company, the principal risks and uncertainties are integrated with those of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the PTC Group are the same as those discussed in PTC Inc.'s annual 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.

Parametric Technology (UK) Limited

## Strategic Report (continued)

For the year ended 30 September 2021

### 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 trade and other relationships with the European Union based on the agreement signed by the parties in December 2020. From our assessment and 2021 results, 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 COVID-19 pandemic continues to impact global economic activity and create 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.

While PTC was able to transition to remote working without significant disruption to our day to day operations, disruption to our customers' and our prospects' operations and the way we work with them might adversely affect our business.

Reductions in new subscription sales and/or renewals and in professional services delivered could reduce our ARR growth or cause our ARR to decline, and would reduce our professional services revenue, all of which would adversely affect our revenue, earnings and cash flow. Further prolonged disruption could continue to negatively impact the businesses of our customers and prospective customers and, therefore, our business and financial condition.

If our business declines due to the factors above, we could be required to reduce our expenses, which could result in material restructuring charges and/or reduce or delay investments in our business, including hiring. Reductions in our workforce and/or investments in our business could hamper our ability to recover and compete successfully, which could adversely affect our business and results of operations.

We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of COVID-19 as of September 30, 2021, and through the date of this report. The accounting matters assessed included, but were not limited to, our allowance for doubtful accounts, stock-based compensation, the carrying value of our goodwill and other long-lived assets, financial assets and revenue recognition. While our assessment did not result in a material impact to our financial statements as of and for the year ended September 30, 2021, our future assessment could result in material impacts to our financial statements in future reporting periods.

We believe that existing cash and cash equivalents, together with cash generated from operations, will be sufficient to meet our working capital and capital expenditure 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.

Parametric Technology (UK) Limited

## Strategic Report (continued)

For the year ended 30 September 2021

### Principal risks and uncertainties (continued)

#### War in Ukraine

On February 24, 2022, Russian troops started an unprovoked invasion in Ukraine. In response, the EU, US, Switzerland, UK, and other jurisdictions imposed various economic sanctions on entities and individuals in Russia, including many customers of the PTC group. In addition to sanctions, a significant number of companies have announced actions to reduce their business activities in Russia. PTC Inc announced on March 3, 2022, that the company will discontinue business operations in Russia. The ongoing conflict and PTC's decision have minimal impact on operations of Parametric Technology (UK) Limited as the Company's activity is focused on the United Kingdom market.

#### 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.

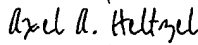
#### Interest rate

The company has no debt outside of the PTC Group of companies. The company has no interest-bearing debt as of 30 September 2021 (2020: £nil).

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

On behalf of the Board

DocuSigned by:



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Axel Aurelio Heltzel

Director

27 April 2022

Parametric Technology (UK) Limited

## Directors' Report

For the year ended 30 September 2021

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 2021.

### 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 2021 were as follows:

Axel Aurelio Heltzel  
Enrico Soldatini (resigned 9 November 2021)

At the date of signing the financial statements the directors are as follows:

Eamonn Thomas Clarke (appointed on 9 November 2021)  
Axel Aurelio Heltzel

The directors of the company had the benefit of a qualifying indemnity provision throughout the financial year ending 30 September 2021 and is currently in force.

### Dividends

The directors do not recommend dividend payment for 2021 (2020: £4.8m).

### Going concern

Taking into consideration the company's 2021 results, the competitive strength of its products and the positioning in the markets served as well as the ongoing 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 2021

### 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

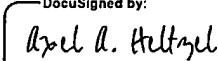
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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 27 April 2022 in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27 April 2022 and is signed on its behalf.

DocuSigned by:  
  
FSBE4DA84AB34141  
**Axel Aurelio Heltzel**  
Director  
Company registration no: 02513030

Parametric Technology (UK) Limited

## **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 2021 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 2021 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Parametric Technology (UK) Limited

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Parametric Technology (UK) Limited

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

### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 7, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

Parametric Technology (UK) Limited

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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

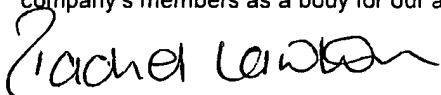
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

30 Old Bailey

London

EC4M 7AU

Date 28 April 2022

Parametric Technology (UK) Limited

**Statement of Comprehensive Income**

For the year ended 30 September 2021

	Note	2021 £'000	2020 £'000
<b>Turnover</b>	5	34,840	31,482
Cost of sales		(19,270)	(18,111)
<b>Gross profit</b>		<u>15,570</u>	<u>13,371</u>
Administrative expenses		(21,089)	(21,593)
Other operating expenses		(278)	(58)
Other operating income	6	<u>7,897</u>	<u>9,771</u>
<b>Operating profit</b>		<u>2,100</u>	<u>1,491</u>
Interest payable and similar charges		(4)	(1)
Interest receivable and similar income	7	-	11
<b>Profit on ordinary activities before taxation</b>	6	<u>2,096</u>	<u>1,501</u>
Tax on profit on ordinary activities	9	(33)	(76)
<b>Profit for the financial year</b>		<u>2,063</u>	<u>1,425</u>
<b>Total comprehensive profit for the financial year</b>		<u><u>2,063</u></u>	<u><u>1,425</u></u>
<b>Profit for the year attributable to:</b>			
Owners of the parent		<u>2,063</u>	<u>1,425</u>
<b>Total comprehensive profit for the year attributable to:</b>			
Owners of the parent		<u>2,063</u>	<u>1,425</u>

All amounts relate to continuing operations.

The notes on pages 15 to 32 form part of these financial statements and include significant accounting policies.

Parametric Technology (UK) Limited

**Statement of Financial Position**

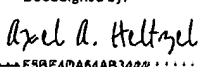
As at 30 September 2021

Registered number: 02513030

	Note	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Intangible assets	11	761	1,375
Tangible assets	12	150	223
		<u>911</u>	<u>1,598</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	13,342	10,438
Debtors: amounts falling due after more than one year	13	5,728	1,026
Cash at bank and in hand		822	700
		<u>19,892</u>	<u>12,164</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(15,621)</u>	<u>(9,847)</u>
<b>Net current assets</b>		<u>4,271</u>	<u>2,317</u>
<b>Total assets less current liabilities</b>		<u>5,182</u>	<u>3,915</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(50)	(187)
<b>Provisions for liabilities</b>	16	(89)	(90)
<b>Net assets</b>		<u>5,043</u>	<u>3,638</u>
<b>Capital and reserves</b>			
Called up share capital	18	188	188
Share premium account	20	-	-
Profit and loss account	20	4,855	3,450
		<u>5,043</u>	<u>3,638</u>

The notes on pages 15 to 32 form part of these financial statements and include significant accounting policies.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2022.

DocuSigned by:  
  
 F5B8E4DA64AB3442  
**Axel Aurelio Heltzel**  
 Director

Parametric Technology (UK) Limited

**Statement of changes in equity**

As at 30 September 2021

	Note	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>At 1 October 2019</b>		<b>188</b>	<b>37,281</b>	<b>(30,256)</b>	<b>7,213</b>
<b>Year ended 30 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		-	-	(200)	(200)
Total comprehensive income		-	(37,281)	38,506	1,225
Dividends		-	-	(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>
<b>Year ended 30 September 2021:</b>					
Profit for the year		-	-	2,063	2,063
Recharge in respect of share options granted to employees		-	-	(658)	(658)
Total comprehensive income		-	-	1,405	1,405
<b>Balance as at 30 September 2021</b>		<b>188</b>	<b>-</b>	<b>4,855</b>	<b>5,043</b>

The notes on pages 15 to 32 form part of these financial statements and also include significant accounting policies.



Parametric Technology (UK) Limited

# Notes to the financial statements

For the year ended 30 September 2021

## 1. Company information

Parametric Technology (UK) Limited 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 2021 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 2021 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.

Parametric Technology (UK) Limited

## Notes to the financial statements (continued)

For the year ended 30 September 2021

### 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.

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
<b>Term-based subscriptions</b>	
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

Parametric Technology (UK) Limited

## Notes to the financial statements (continued)

For the year ended 30 September 2021

### 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.

#### 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.

Parametric Technology (UK) Limited

## Notes to the financial statements (continued)

For the year ended 30 September 2021

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

#### Valuation of Intangibles including Goodwill (continued)

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 2021 we concluded that no impairment charge was required (2020: £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.

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.

Parametric Technology (UK) Limited

## Notes to the financial statements (continued)

For the year ended 30 September 2021

### 4. Principal accounting policies (Continued)

#### 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 is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

#### 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.

Our customer contracts may include both goods and services. 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.

Parametric Technology (UK) Limited

## Notes to the financial statements (continued)

For the year ended 30 September 2021

### 4. Principal accounting policies (Continued)

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.

#### 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.

Parametric Technology (UK) Limited

## Notes to the financial statements (continued)

For the year ended 30 September 2021

### 4. Principal accounting policies (Continued)

#### 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.

#### 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.

#### 4.16. Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Parametric Technology (UK) Limited

**Notes to the financial statements (continued)**

For the year ended 30 September 2021

**5. Turnover**

Turnover, analysed geographically between markets, was as follows:

	2021 £'000	2020 £'000
United Kingdom	34,284	29,958
Rest of the world	556	1,524
	<u>34,840</u>	<u>31,482</u>

Turnover, analysed by category, was as follows:

	2021 £'000	2020 £'000
Licence revenue	553	605
Subscription revenue	23,336	18,809
Software as a Service revenue	2,572	2,635
Hosting revenue	604	647
Maintenance revenue	5,536	6,882
Consulting and training revenue	2,239	1,904
	<u>34,840</u>	<u>31,482</u>

**6. Profit on ordinary activities before taxation**

The profit on ordinary activities before taxation is stated after:

	2021 £'000	2020 £'000
Amortisation of intangible assets	(614)	(614)
Depreciation of tangible assets	(138)	(186)
Operating lease rentals:		
- plant and machinery	(6)	(12)
- other	(135)	(348)
Other operating income, out of which:	7,897	9,771
- R&D Chargeback	5,057	5,932
- Stewardship charge out	2,883	3,908
Employee restructuring	-	(1,159)
Foreign exchange losses	(180)	(28)
Fees payable to the company's auditor for the audit of the company's annual accounts	(32)	(30)

Parametric Technology (UK) Limited contributes to the development of PTC products. The expenses incurred as a result of software research and development work, including a 10% mark-up, are cross charged to PTC (SSI) dac Ireland as R&D Chargeback. Stewardship charge out consists of cross-charged expenses, including a 5% mark-up, related to resources allocated to oversight and management of other entities within PTC group.



Parametric Technology (UK) Limited

**Notes to the financial statements (continued)**

For the year ended 30 September 2021

**7. Interest receivable and similar income**

	2021 £'000	2020 £'000
Intercompany Interest Income	-	9
Other Interest Income	-	2
	<u>-</u>	<u>11</u>

**8. Directors and employees**

Staff costs during the year were as follows:

	2021 £'000	2020 £'000
Wages and salaries	14,378	12,827
Social security costs	2,183	1,872
Stock based compensation (note 24)	2,612	1,931
Other pension costs (note 22)	618	613
	<u>19,791</u>	<u>17,242</u>

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.

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

	2021 Number	2020 Number
Sales	14	12
General administration	60	57
Support services	25	29
Technical development	35	38
	<u>134</u>	<u>136</u>

No directors are remunerated for their services as directors of Parametric Technology (UK) Limited (2020: £nil). No directors were entitled to retirement benefits under any pension scheme at 30 September 2021 (2020: 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.

Parametric Technology (UK) Limited

**Notes to the financial statements (continued)**

For the year ended 30 September 2021

**9. Tax on profit on ordinary activities**

	2021 £'000	2020 £'000
<b>Analysis of tax charge for the period</b>		
<i>Current tax:</i>		
UK Corporation Tax at 19%	38	38
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	-
Adjustments to brought forward values	(5)	38
<b>Tax on results on ordinary activities</b>	<b>33</b>	<b>76</b>

	2021 £'000	2020 £'000
<b>Reconciliation of tax charge</b>		
Profit on ordinary activities before tax	2,096	1,501
Tax on loss on ordinary activities at standard CT rate of 19% (2020: 19%)	398	285
Effects of:		
Fixed assets differences	26	52
Income not taxable for tax purposes	(147)	(15)
Expenses not deductible for tax purposes	113	118
Adjustments to brought forward values	(5)	38
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	(352)	(402)
<b>Tax charge for the period</b>	<b>33</b>	<b>76</b>

**10. Dividends**

The directors do not recommend the payment of a dividend (2020: £4.8m, £25.5/share).

Parametric Technology (UK) Limited

**Notes to the financial statements (continued)**

For the year ended 30 September 2021

**11. Intangible fixed assets**

	Trademarks £'000	Customer lists £'000	Goodwill £'000	Total £'000
<b>Cost</b>				
At 1 October 2020	29	2,704	16,651	19,384
Additions	-	-	-	-
<b>At 30 September 2021</b>	<b>29</b>	<b>2,704</b>	<b>16,651</b>	<b>19,384</b>
<b>Amortisation and impairment</b>				
At 1 October 2020	29	2,191	15,789	18,009
Charge for the year	-	183	431	614
Impairment charge	-	-	-	-
<b>At 30 September 2021</b>	<b>29</b>	<b>2,374</b>	<b>16,220</b>	<b>18,623</b>
<b>Net book amount at 30 September 2021</b>	<b>-</b>	<b>330</b>	<b>431</b>	<b>761</b>
<b>Net book amount at 30 September 2020</b>	<b>-</b>	<b>513</b>	<b>862</b>	<b>1,375</b>

Parametric Technology (UK) Limited

**Notes to the financial statements (continued)**

For the year ended 30 September 2021

**12. Tangible fixed assets**

	Furniture and equipment £'000	Computer hardware & software £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>				
At 1 October 2020	73	1,601	104	1,778
Additions	-	65	-	65
Disposals	-	-	-	-
<b>At 30 September 2021</b>	<b>73</b>	<b>1,666</b>	<b>104</b>	<b>1,843</b>
<b>Depreciation</b>				
At 1 October 2020	73	1,386	95	1,555
Charge for the year	-	134	4	138
Disposals	-	-	-	-
<b>At 30 September 2021</b>	<b>73</b>	<b>1,520</b>	<b>99</b>	<b>1,693</b>
<b>Net book amount at 30 September 2021</b>	<b>-</b>	<b>146</b>	<b>5</b>	<b>150</b>

Parametric Technology (UK) Limited

**Notes to the financial statements (continued)**

For the year ended 30 September 2021

**13. Debtors**

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	5,589	4,585
Amounts owed by group undertakings	1,918	1,773
Other debtors	-	3
Prepayments and accrued income	5,835	4,077
	<u>13,342</u>	<u>10,438</u>

**Amounts falling due after more than one year:**

Prepayments and accrued income	5,574	863
Other debtors	154	163
	<u>5,728</u>	<u>1,026</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**

	2021 £'000	2020 £'000
Trade creditors	300	239
Amounts owed to group undertakings	2,107	-
Taxation and social security	1,435	1,125
Accruals and deferred income	11,779	8,483
	<u>15,621</u>	<u>9,847</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**

	2021 £'000	2020 £'000
Long term deferred income	<u>50</u>	<u>187</u>

Parametric Technology (UK) Limited

**Notes to the financial statements (continued)**

For the year ended 30 September 2021

**16. Provisions for liabilities**

	Onerous lease	Dilapidations	Total
	£'000	£'000	£'000
At 1 October 2020	(9)	(81)	(90)
Additions	-	(8)	(8)
Utilised	-	-	-
Reversals	9	-	9
At 30 September 2021	-	(89)	(89)

**Dilapidations provision**

The dilapidations provision includes the estimated restoration costs for all five leased facilities. 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:

	2021	2020
	£'000	£'000
Accelerated capital allowances	1,381	1,045
Short term timing differences	208	184
Losses	6,618	5,385
Total deferred tax asset not recognised	8,207	6,614
At 1 October 2020	6,614	7,055
Utilisation of losses	(362)	(374)
Tax rate change	1,921	-
Other deferred tax movements	9	(29)
Prior year adjustment	25	(38)
At 30 September 2021	8,207	6,614

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 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 is 19%.

Parametric Technology (UK) Limited

## Notes to the financial statements (continued)

For the year ended 30 September 2021

At Budget 2021, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2022 would remain at 19%. From 1 April 2023, the Corporation Tax main rate for non-ring fenced profits will be increased to 25% applying to profits over £250,000. A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

### 18. Called up share capital

	2021 £'000	2020 £'000
Allotted and fully paid: 188,203 (2020: 188,203) ordinary shares of £1 each	<u>188</u>	<u>188</u>

### 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.

### 21. Leasing commitments

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

	2021		2020	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Within one year	397	6	438	8
Between one and five years	<u>15</u>	<u>-</u>	<u>94</u>	<u>5</u>
Total	<u>412</u>	<u>6</u>	<u>532</u>	<u>13</u>

Parametric Technology (UK) Limited

## Notes to the financial statements (continued)

For the year ended 30 September 2021

### 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 (2020: £0.6m). The contributions outstanding as at the balance sheet date were £0.1m (2020: £0.1m).

### 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 £2.1m (2020: £3.0m).



Parametric Technology (UK) Limited

**Notes to the financial statements (continued)**

For the year ended 30 September 2021

**24. Equity incentive plan (continued)**

A reconciliation of restricted stock unit movements over the year to 30 September 2021 is shown below:

	2021		2020	
<b>Time Based Awards</b>				
	Shares	Weighted average grant date price	Shares	Weighted average grant date price
<b>Outstanding at 1 October</b>	<b>63,466</b>	<b>\$ 74.87</b>	<b>50,545</b>	<b>\$ 58.00</b>
Granted	25,922	\$ 110.31	49,417	\$ 76.05
Transfers in	320	\$ 82.08	-	\$ 0.00
Transfers out	(136)	\$ 82.04	-	-
Vested	(30,707)	\$ 80.09	(30,699)	\$ 69.24
Forfeited	(1,766)	\$ 82.38	(5,797)	\$ 77.92
<b>Outstanding at 30 September</b>	<b>57,099</b>	<b>\$ 91.68</b>	<b>63,466</b>	<b>\$ 74.87</b>

	2021		2020	
<b>Performance Based Awards</b>				
	Shares	Weighted average grant date price	Shares	Weighted average grant date price
<b>Outstanding at 1 October</b>	<b>-</b>	<b>-</b>	<b>3,092</b>	<b>\$ 53.89</b>
Granted	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Vested	-	-	(3,092)	\$ 53.89
Forfeited	-	-	-	-
<b>Outstanding at 30 September</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note – the weighted average exercise prices are in US Dollar (exchange rate of 1.3647).

The total charge for the year relating to employee restricted stock-based compensation was £1,953,674 (2020: £1,731,752), all of which related to equity-settled share-based payment transactions.

A movement of £658k (2020: £200k) 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.

Parametric Technology (UK) Limited

## Notes to the financial statements (continued)

For the year ended 30 September 2021

### 25. Events after the reporting period

In November 2021, we committed to a plan to restructure our workforce to align PTC customer facing and product-related functions with SaaS industry best practices and accelerate the opportunity for on-premise customers to move to the cloud. The restructuring is expected to result in a charge and cash payments of approximately £650k in fiscal year 2022.

On February 24, 2022, Russian troops started an unprovoked invasion in Ukraine. In response, the EU, US, Switzerland, UK, and other jurisdictions imposed various economic sanctions on entities and individuals in Russia, including many customers of the PTC group. In addition to sanctions, a significant number of companies have announced actions to reduce their business activities in Russia. PTC Inc announced on March 3, 2022, that the company will discontinue business operations in Russia. The ongoing conflict and PTC's decision have minimal impact on operations of Parametric Technology (UK) Limited as the Company's activity is focused on the United Kingdom market.

### 26. Ultimate parent undertaking and controlling party

The company's immediate parent company at 30 September 2021 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.