



SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED
Annual report and financial statements
Registered number 02180851
September 30, 2020

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

CONTENTS	PAGE
Strategic report	1
Directors' report	5
Statement of Directors' Responsibilities in respect of the annual report and financial statements	8
Independent Auditor's Report to the members of Siemens Industry Software Computational Dynamics Limited	9
Statement of Income	11
Statement of Financial Position	12
Statement of Changes in Equity	14
Notes to the Financial Statements	15

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

STRATEGIC REPORT

The directors of Siemens Industry Software Computational Dynamics Limited (“the Company”) present the annual report containing a strategic report, directors’ report and the financial statements for the year ended September 30, 2020. In these financial statements, the terms ‘Group’ and ‘Siemens’ refer to the Company’s ultimate parent undertaking, Siemens AG.

Principal activities

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

General business review

The performance in 2020 is in line with the expectations of the directors, and the directors believe the results for the year reflect the ongoing trading performance of the Company. The Company made a net income for the financial year, net of taxation of £12,121k (2019: £33,299k).

The company earns revenue mainly from License income with a revenue of £68,127k in 2020 (2019: £84.556k). The key business measure is the growth of this revenue stream. During the year, net assets decreased by £107,879k. This was driven by a £120,000k dividend payment.

The directors have also considered the additional risks related to the coronavirus disease (“COVID-19”) that was declared a pandemic by the World Health Organisation in March 2020. The Company has assessed the potential impact on its business in the short-term to be manageable. Since the outbreak of coronavirus was reported the Company has continuously reassessed its business practices to ensure business continuity whilst following all safety guidelines applicable to all working environments. As a result, the Company has continued to operate throughout the crisis. However, the underpinning principles of business continuity planning, risk management and application of an integrated internal control framework has resulted in the Company trading profitably. Nonetheless, the directors acknowledge the long-term view remains a challenge and continue to monitor developments and prepare accordingly.

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The Company has remained vigilant over the warning signs exhibited in the global economy and uncertainty in the United Kingdom economy. An evaluation of the potential impact of market factors is undertaken regularly by the management so that the Company can respond appropriately. This includes considering the effects of Britain’s recent exit (“Brexit”) from the European Union (“EU”). The recent Brexit trade deal is now being assessed by the Company, to ascertain the full impact and whether there will be any short-to-medium term impact. Hence on that basis, the agreed Brexit trade deal terms remain a risk which is being closely managed. In the meantime, there is no impact on the figures presented as at September 30, 2020 and 2019.

Principal risks and uncertainties

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

Competition and innovation

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

Currency risk

The company is exposed to transaction currency risk, where software licences and consultancy services are sold in overseas markets and are invoiced in local currency.

Human Resources

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

Statement related to Section 172 of Companies Act 2006 (known as Section 172(1) statement)

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

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

6) the need to act fairly as between members of the company.

Understanding the perspectives of the Company’s stakeholders and building good relationships enables their views to be taken into account in Senior Leadership Team (“SLT”) discussions among the board of directors of the Company (“Board”) and in decision-making. Two Board members, the MD and FD are also members of the SLT, along with the Heads of Sales & Marketing, Operations and HR. The SLT plays an important business-focused and commercial role in the UK and Export operations, covering all aspects of the business. Given the size and nature of Siemens Industry Software Computational Dynamics Limited (“SISCDL” or “Company”) in the UK, stakeholder engagement often takes place at both an operational and senior management level, as well as by the Board. Further information and examples of how the Company engages with its key stakeholders is provided below.

Employees	
Striving to be an employer of choice, the Company places value on creating a culture of learning, promoting diversity and fostering equality	
Engagement	Key topics, decisions and outcomes influenced by this stakeholder group
<p>As a Siemens company Siemens Industry Software Computational Dynamics Limited succeeds through its people. Fostering the health and performance of Siemens Industry Software’s employees as well as safeguarding their working conditions are core to the Company’s social and business commitment.</p> <p>The views of our employees are critical in helping us to continually improve ourselves as an organisation, and regular employee engagement surveys enable us to both further understand our employees’ perspectives and generate ideas which can benefit everyone.</p> <p>Our communication and engagement arrangements are continuously improved with employee involvement</p> <p>A culture of learning is encouraged in many ways. Examples include regular performance reviews and development discussions for all employees; internal and external training; sponsorship of qualifications at all levels.</p>	<p>Particular attention has been devoted to raising awareness of mental health issues. The Company does a lot of work with its mental health partner, Mind, ensuring employees feel equipped to cope with the mental stresses and strains of life. We are encouraging all people manager to attend a series of training organised by Zurich in 2021 which includes topics such as identifying and managing work-related stress and promoting resilience and a series on Mental health awareness. In the meantime, considerable effort has been devoted to promoting mental and physical health to those working at home, as well as those on site. This has encouraged a more open culture, enabling support to be provided as required. Employees also have access to a confidential Employee Assistance Programme.</p> <p>Employees have many opportunities to learn about and influence Company decisions, including:</p> <ul style="list-style-type: none"> ● The annual employee engagement survey ● Monthly team briefs, including Q&As (the current briefing format was introduced as a result of feedback from the engagement survey) ● Regular Town Hall meetings ● One effect of the Covid-19 pandemic has been to accelerate the flexibility of how our employees work. With Siemens already committed to Employee Led Flexibility, in many cases employees are able to carry out their roles in a way which best fits their preferences and circumstances, reflecting the commitment of Siemens AG to Mobile Working which includes working away from traditional workplaces, and instead working at home or other locations which suit both employees and the Company. This has become increasingly embedded as the ‘New Normal’ way of working for many of our employees. ● Regular employee townhalls which FAQs ● The intranet and a regular newsletter are used to communicate news of activities and initiatives going on in the Company. <p>At the beginning of the pandemic we held several meetings with our employee representative groups that enabled open discussions to take place and acceptable solutions to be found to all the challenges that arose. This was supported by frequent communication through a variety of channels, including regular townhalls and detailed Frequently Asked Questions that aimed to address employees’ concerns.</p> <p>Career development meetings were introduced as a result of engagement survey feedback for any interested employees and for those identified as having the potential to progress. A Competency Matrix was introduced in FY20 to further increase the focus on development.</p>

<p>Diversity and Inclusion initiatives have focused on inclusive culture, LGBT inclusion, racial and gender equality, and equal opportunities for people with disabilities.</p>	<p>The Management team recognises the value of diversity and inclusion and is committed to truly embed it in everything the Company does. Several initiatives, policies and programmes are underway to achieve this including playbooks shared with people managers on diversity and inclusion. In addition, all people managers have attended “unconscious bias” training and other training has been made available for people managers and employees.</p> <p>We continue to encourage diversity in the workplace through our active global diversity council and supporting our 11 employee resource groups (ERGs). These groups are open to all Siemens employees.</p> <p>The Board is responsible for overseeing the Company’s progress in closing the gender pay gap and publishes each year a Gender Pay Gap report. An evidence-based action plan has been implemented in response to the Gender Pay Gap outcomes.</p>
<p>Customers, Suppliers and Business Partners</p> <p>Business relationships with the Company’s customers, suppliers, and other business partners are fundamental.</p>	
<p>Engagement</p>	<p>Key topics, decisions and outcomes influenced by this stakeholder group</p>
<p>Customers are always at the centre of our thinking with regard to technology, innovation and how to best consult and support them. Our main goal is to establish ourselves as the partner of choice for our customers by fostering close and trusted partnerships.</p>	<p>The Company has continued to keep its customers and suppliers informed of its Brexit preparations which have been overseen by the SLT. Actions include resource planning, reviewing, and where necessary, adjusting our systems and processes and working with our customers in order to minimise disruption to our services.</p> <p>The company has continued to support customer timelines and milestones, moving to full remote delivery on all projects and where requested by the customer adapted delivery scope and timescales to support the change in customer priorities driven by the global impact of the pandemic.</p> <p>All events moved from physical to digital and continued to be provided to customers, supporting their need to remain educated on the technologies they could be adopting to improve their business.</p>
<p>Communities and Environment</p> <p>The Company serves society wherever it operates and as a globally active company with innovative and investment capabilities the Company shares responsibility for sustainable development worldwide.</p>	
<p>Engagement</p>	<p>Key topics, decisions and outcomes influenced by this stakeholder group</p>
<p>The Company supports the charitable endeavours of its employees and customers.</p>	<p>Siemens supports many organizations around the world through Sponsorships, Donations and Other Contributions. Memberships in various associations or contributions to certain groups and activities are an essential part of our Corporate Social Responsibility program, our leadership in industry initiatives and our programs to strengthen the Siemens brand. Employees can also make donations to a number of charities via monthly or one -off payroll deductions to Charities Trust.</p>
<p>Government, Regulators and Trade Associations</p> <p>Continuous dialog with policymakers is extremely important for the success of a company like Siemens Industry Software Computational Dynamics Limited.</p>	
<p>Engagement</p>	<p>Key topics, decisions and outcomes influenced by this stakeholder group</p>
<p>As a member of the Siemens group of companies, Siemens Industry Software Computational Dynamics Limited is politically neutral, but we operate in markets which are</p>	<p>The company continued to support the Innovate UK Catapult Network providing world-leading technology and expertise to enable innovation for UK businesses to continue.</p>

<p>shaped by UK Government policy, either directly or indirectly.</p> <p>Our external engagement is governed in full accordance with our Company commitment to responsible and sustainable business. These allow the Company to engage with peers and regulators to discuss emerging policies, regulation, and innovation.</p>	
<p>The Siemens AG Group Companies</p> <p>The Siemens Group is setting the course for long-term value creation through accelerated growth and stronger profitability with a simplified and leaner company structure.</p>	
<p>Engagement</p>	<p>Key topics, decisions and outcomes influenced by this stakeholder group</p>
<p>The main aim of the Vision 2020+ strategy is to give Siemens' individual businesses including Siemens Industry Computational Dynamics Software Limited, significantly more entrepreneurial freedom under the strong Siemens brand where appropriate, in order to sharpen their focus on their respective markets. The strategic decisions of the Siemens AG Group influence the decisions taken by the SLT which, in turn, adapts the Group strategy for the UK market taking into account UK customer and employee needs. The SLT have strong relationships with all key stakeholders across the wider Siemens Group, which ensures that the global strategy and expectations are understood and considered as part of the Company's strategic decisions for the UK.</p>	<p>The Company's management participates in Siemens forums and conferences at a global and UK level, which also includes functionally as well.</p> <p>Employees are able to join regular webinar updates given by Siemens management, with regard to the Company's strategy and performance. These take place at a global, country and business level.</p> <p>Dividend proposals are also a key decision made each year with the Board having regard to the ability of the Company to make a dividend taking into account, amongst other considerations, the needs of the parent company.</p>

Signed by order of the board of directors.

Sheath Ben
 Digitally signed by Sheath Ben
 DN: cn=Sheath Ben,
 o=Siemens,
 email=ben.sheath@siemens.com
 Date: 2021.02.12 12:12:30

B Sheath
 Director

Approved by the directors on February 12, 2021

Registered office:

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

DIRECTORS' REPORT

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

B M Sheath

D L Macaskill

S E A Davina

Resigned 1 June 2020

S H Kahanov

Appointed 1 June 2020

None of the directors holding office at September 30, 2020 had notified a beneficial interest in any contract to which the Company or its subsidiary undertakings were a party during the financial year.

The directors benefited from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

DIVIDENDS

Directors approved and paid a dividend in the year of £120m (2019: £Nil).

SUBSEQUENT EVENTS

There were no significant events after the reporting period.

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development in the UK. During the year, the Company spent £43,103k (2019: £43,095k) on research and development.

INTELLECTUAL PROPERTY

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

GROUP POLICIES

Employee engagement

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

Environmental

As a leading global company, Siemens has a responsibility to comply with the highest ethical and legal standards while protecting the environment and benefiting society as a whole. There are a number of initiatives, such as the Siemens Champions Awards, which recognise excellence in Zero Harm as well as the Siemens core values of responsibility, innovation and excellence.

Equal opportunities

The Company is committed to equal opportunities for all, free from discrimination and harassment. Siemens values the contribution of all employees. All job applicants and employees, customers, visitors or contractors will receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality or ethnic or national origins. Within Siemens, applicants and employees will be recruited, selected, trained and promoted on objective grounds, i.e. on the basis of their abilities to contribute most effectively to the success of the Company. Wherever possible, we will assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

Business Stakeholders

Business relationships with the customers, suppliers, and other business partners are fundamental to Siemens. The Group maintains business relationships only with reputable partners who comply with the law. The Group protects the interests of its customers through the careful selection of suppliers and other business partners and through the standards set for own actions. The Group only works with suppliers who are prepared to eliminate problems or implement risk reduction measures. That is why the Group cooperates with excellent partners worldwide. Amongst others, the Group's Code of Conduct is based on the UN Global Compact and the principles of the International Labour Organization, and it reflects the Siemens Business Conduct Guidelines, which apply to the entire Group and its subsidiaries.

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

POLITICAL DONATIONS

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

GOING CONCERN

The Directors are carefully monitoring the potential impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business to 28th February 2022. The current trading is in line with the updated forecasts and the valuation of assets and liabilities are not expected to have an adverse impact in the short term.

The Directors expect the business to operate under profitable conditions for the foreseeable future with limited cashflow implications on the business and have assessed the potential impact on the business in the short term to be manageable. This view is underpinned by business continuity planning, risk management and an integrated internal control framework. Nonetheless, the Directors acknowledge the long-term view remains a challenge and continue to monitor developments and prepare accordingly. Based on the Company's revised cash flow forecasts, the directors consider that the Company will continue the trend of previous years and will trade profitably and generate positive cash flows from operations over the next 12 months.

Additionally, Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by the Company are passed to Siemens AG and the Company can draw down on these facilities and make overdrafts if required. In arriving to the going concern conclusion reliance on the cash pooling overdrafts is not considered.

Based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

STREAMLINED ENERGY & CARBON REPORTING (SECR)

Energy consumption used to calculate emissions: kWh	168,430
Gas Consumption (kWh)	-
Electricity Consumption (kWh)	121,918
Transport fuel (kWh)	46,512
Emissions from combustion of gas tCO ₂ e (Scope 1)	-
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	-
Emissions from business travel in rental cars or employee -owned vehicles where company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	12
Emissions from purchased electricity tCO ₂ e (Scope 2, location -based)	31
Emissions from purchased electricity tCO ₂ e (Scope 2, market -based)	-
Total gross tCO ₂ e based on above	43
Intensity ratio: tCO ₂ e gross figure based from mandatory fields above/ £100,000 turnover	0.063
Methodology	All the SECR data requirements for unquoted 'large' companies have been met and the energy consumption and emissions are reported above. This includes UK consumption of electricity, gas and transport fuels where the company is responsible for the fuels. The methodology used to calculate emissions is the WBCSD/WRI Greenhouse Gas Protocol: a corporate accounting standard: revised edition. An operational control approach has been taken. UK Government greenhouse gas emissions conversion factors for 2019 have been applied as these were applicable for the majority of the financial year. Scope 2 emissions from purchased electricity have been calculated using the location-based and market-based approaches.
Energy Efficiency Action:	In the period covered by the report the Company has piloted an Internal Carbon Price for site-based gas and electricity consumption. The ICP was used to fund energy efficiency and carbon reduction projects to support the business on its path to Carbon Neutrality by 2030. The ICP funded a 6 weeks agile project to establish a detailed roadmap of actions required for Siemens UK Smart Infrastructure and Digital Industries businesses to achieve Carbon Neutrality by 2030 and to also improve energy efficiency. This covered all of the energy use and emissions included within this report. In the period covered by the report the Company has purchased 122 MWh of renewable electricity via a REGO green tariff.

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020


DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

Signed by order of the board of directors

**Sheath
Ben**  Digitally signed by Sheath Ben
DN: cn=Sheath Ben,
o=Siemens,
email=ben.sheath@siemens.com
Date: 2021.02.12 12:13:10

B Sheath
Director

Approved by the directors on February 12, 2021

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

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

YEAR ENDED SEPTEMBER 30, 2020

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Siemens Industry Software Computational Dynamics Limited for the year ended September 30, 2020 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2020 and of its net income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Emily Butler (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading
February 12, 2021

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

STATEMENT OF INCOME

For the years ended September 30, 2020 and 2019 (in thousands of £)

	Note	2020	2019
Revenue	3	68,127	84,556
Cost of sales		(2,715)	(3,390)
Gross profit		65,412	81,166
Research and development expenses		(43,103)	(43,095)
Marketing and distribution expenses		(1,783)	(1,982)
Administrative expenses		(5,395)	(245)
Other operating (expenses) / income	4	(15)	3,992
Operating profit	5	15,116	39,836
Interest income	8	41	901
Interest expenses	8	(46)	(24)
Income from continuing operations before income taxes		15,111	40,713
Income tax expense	9	(2,990)	(7,414)
Income from continuing operations, net of income taxes		12,121	33,299
Net income for the financial year		12,121	33,299

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

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

STATEMENT OF FINANCIAL POSITION

For the years ended September 30, 2020 and 2019 (in thousands of £)

	Note	2020	2019
FIXED ASSETS			
Goodwill	10	237	237
Other intangible assets	11	27	108
Property, plant and equipment	12	2,712	1,025
Investments	13	33	33
Deferred tax assets	9	416	399
Other assets		19	97
		<u> </u>	<u> </u>
Total Fixed assets		3,444	1,899
CURRENT ASSETS			
Debtors	14	37,520	145,595
		<u> </u>	<u> </u>
Total current assets		37,520	145,595
Creditors: amounts falling due within one year			
Short term lease liability		442	-
Trade creditors	15	8,098	1,622
Contract liabilities	16	188	460
Current income tax liabilities		7,790	14,218
Other creditors including tax and social security	17	1,148	1,372
		<u> </u>	<u> </u>
		17,666	17,672
		<u> </u>	<u> </u>
Net Current assets		19,854	127,923
		<u> </u>	<u> </u>
Total Assets less Current Liabilities		23,298	129,822
Creditors: amounts falling due after one year			
Long term lease liability		1,355	-
Provisions for liabilities		218	218
		<u> </u>	<u> </u>
		1,573	218
		<u> </u>	<u> </u>
Net Assets		21,725	129,604
		<u> </u>	<u> </u>
Capital and Reserves			
Share Capital	19	13	13
Share Premium		310	310
Retained Earnings		21,402	129,281
		<u> </u>	<u> </u>
Shareholder's funds		21,725	129,604
		<u> </u>	<u> </u>

STATEMENT OF FINANCIAL POSITION

For the years ended September 30, 2020 and 2019 (in thousands of £)

These financial statements were approved and authorised for issue by the board of directors on February 12, 2021 and were signed on their behalf by:

MacAskill
Darren

Digitally signed by MacAskill Darren
DN: cn=MacAskill Darren,
o=Siemens,
email=darren.macaskill@siemens.com
Date: 2021.02.12 12:18:29

D L MacAskill
Director

Registered number: 02180851
Siemens Industry Software Computational Dynamics Limited

STATEMENT OF CHANGE IN EQUITY

For the years ended September 30, 2020 and 2019 (in thousands of £)

	Share capital	Share premium	Retained earnings	Total equity
Brought forward October 1, 2018	13	310	95,982	96,305
Net income for the financial year	-	-	33,299	33,299
Total comprehensive income for the financial year	<u>-</u>	<u>-</u>	<u>33,299</u>	<u>33,299</u>
Balance at September 30, 2019	<u>13</u>	<u>310</u>	<u>129,281</u>	<u>129,604</u>
Brought forward October 1, 2019	13	310	129,281	129,604
Net income for the financial year	-	-	12,121	12,121
Total comprehensive income for the financial year	<u>-</u>	<u>-</u>	<u>12,121</u>	<u>12,121</u>
Dividends to equity holders	-	-	(120,000)	(120,000)
Balance at September 30, 2020	<u>13</u>	<u>310</u>	<u>21,402</u>	<u>21,725</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

1. Basis of presentation

The financial statements were prepared in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with the Companies Act 2006. The financial statements were authorized for issue by the Board of Directors on 12 February 2021. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

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

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

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

- (a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of *IFRS 3 Business Combinations*;
- (b) the requirements of *IFRS 7 Financial Instruments*;
- (c) the requirements of paragraphs 91-99 of *IFRS 13 Fair Value Measurement*;
- (d) the requirement in paragraph 38 of *IAS 1 Presentation of Financial Statements* to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of *IAS 1*;
 - (ii) paragraph 118(e) of *IAS 38 Intangible Assets*;
- (e) The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of *IAS 1 Presentation of Financial Statements*;
- (f) the requirements of *IAS 7 Statement of Cash Flows*;
- (g) the requirements of paragraphs 30 and 31 of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*;
- (h) the requirements of paragraph 17 of *IAS 24 Related Party Disclosures*;
- (i) the requirements in *IAS 24 Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of *IAS 36 Impairment of Assets*.

Going concern

The Company's business activities together with the factors likely affecting its future development are described in the Strategic report.

The Directors are carefully monitoring the potential impact of COVID-19 on the future financial results and have prepared a going concern assessment and cash flow projections for the business to 28th February 2022. The current trading is in line with the updated forecasts and the valuation of assets and liabilities are not expected to have an adverse impact in the short term.

The Directors expect the business to operate under profitable conditions for the foreseeable future with limited cashflow implications on the business and have assessed the potential impact on the business in the short term to be manageable. This view is underpinned by business continuity planning, risk management and an integrated internal control framework. Nonetheless, the Directors acknowledge the long-term view remains a challenge and continue to monitor developments and prepare accordingly. Based on the Company's revised cash flow forecasts, the directors consider that the Company will continue the trend of previous years and will trade profitably and generate positive cash flows from operations over the next 12 months.

Additionally, Siemens AG operates a cash pooling facility across its worldwide group. Cash balances generated by the Company are passed to Siemens AG and the Company can draw down on these facilities and make overdrafts if required. In arriving to the going concern conclusion reliance on the cash pooling overdrafts is not considered.

Based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have reasonable expectation that the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

2. Summary of significant accounting policies and critical accounting estimates

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

Revenue recognition - The company recognises revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price Siemens expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or Siemens. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognised for each performance obligation either at a point in time or over time.

Revenues from services - Revenues are recognised over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided, i.e. under the percentage-of-completion method as described above. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Income from interest - Interest is recognised using the effective interest rate method.

Income from royalties - Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

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

Investments — Investments are stated at their historic cost to the Company less provisions for any impairment. The determination of the recoverable amount of an investment involves the use of estimates by management. The Company uses discounted cash flow-based methods applied to the cash-generating unit underlying the investment. These discounted cash flow calculations typically use five-year projections that are based on the financial plans. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the values and ultimately the amount of any investment impairment. For further explanation of the investment impairment testing in the period see note 14.

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

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

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

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired companies, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, discounted cash flow calculation use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates and weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. See note 11 for further information.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

Other intangible assets — The Company amortises intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to five years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of relationships and technology. Useful lives in specific acquisitions ranged from four to twenty years for customer relationships and from five to twenty-five years for technology.

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

Leasehold improvements	2 to 15 years
Technical machinery & equipment	generally 10 years
Furniture & office equipment	generally 5 years

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

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

Contract assets, contract liabilities, receivables – When either party to a contract with customers has performed, the Company presents a contract asset, a contract liability or a receivable depending on the relationship between Company's performance and the customer's payment. Contract assets and liabilities are presented as current since incurred in the normal operating cycle. Receivables are recognised when the right to consideration becomes unconditional. Valuation allowances for credit risks are made for contract assets and receivables in accordance with the accounting policy for financial assets measured at amortised cost.

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

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

Pension costs and other post-retirement benefits

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

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

Share-based payment — The Company participates in equity-settled share-based payment plans established by its ultimate parent undertaking, Siemens AG. In accordance with IFRS 2, the fair value of awards/share matching granted is recognised as an employee expense with a corresponding increase in current liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the awards. The fair value of share-based awards such as stock awards and matching shares is determined as the market price of Siemens AG shares, taking into consideration, if applicable, dividends during the vesting period the grantees are not entitled to and certain non-vesting conditions. A small number of the Company's directors and senior managers are eligible for share options, stock awards and share matching under the plans.

Any expected payments to be made to the Company's ultimate parent undertaking, Siemens AG, in respect of these plans is deducted from the current liabilities over the vesting period, to the extent that expenses have been recorded. Any additional payments are charged directly to the Statement of Income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

Financial instruments — A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company does not use the category held to maturity and does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases.

Regular way purchases or sales of financial assets are accounted for at the trade date.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognised in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Receivables from finance leases are recognised at an amount equal to the net investment in the lease. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned to:

Valuation allowances are set up for expected credit losses, representing a forward-looking estimate of future credit losses involving significant judgment. Expected credit loss is the gross carrying amount less collateral, multiplied by the probability of default and a factor reflecting the loss in the event of default. Valuation allowances are not recognised when the gross carrying amount is sufficiently collateralised. Probabilities of default are mainly derived from rating grades determined by SFS. A simplified approach is used to assess expected credit losses from trade receivables, lease receivables and contract assets by applying their lifetime expected credit losses. The valuation allowance for loans and other long-term debt instruments primarily held at SFS is measured according to a three-stage impairment approach:

Stage 1: At inception, 12-month expected credit losses are recognised based on a twelve months probability of default.

Stage 2: If the credit risk of a financial asset increases significantly without being credit-impaired, lifetime expected credit losses are recognised based on a lifetime probability of default. A significant increase in credit risk is determined for each individual financial instrument using credit ratings provided by SFS. A rating deterioration does not trigger a transfer into Stage 2, if the credit rating remains within the investment grade range. More than 30 days past due payments will not be transferred into Stage 2, if the delay is not credit-risk-related.

Stage 3: If the financial asset is credit-impaired, valuation allowances equal lifetime expected credit losses. A financial asset is considered credit-impaired when there is observable information about significant financial difficulties and a high vulnerability to default, however, the definition of default is not yet met. Impairment triggers include liquidity problems, a request for debt restructuring or a breach of contract. A credit-risk driven contractual modification always results in a credit-impaired financial asset.

Financial assets are written off as uncollectible if recovery appears unlikely. Generally, if the limitation period expired, when a debtor's sworn statement of affairs is received, or when the receivable is not pursued due to its minor value. Receivables are written off when bankruptcy proceedings close.

Financial liabilities — The Company measures financial liabilities, except for derivative financial instruments, at amortised cost using the effective interest method.

New and amended standards effective for the year ended September 30, 2020:

IFRS 16 Leases

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

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 October 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 1.216%.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Property plant and equipment comprise owned and leases asset that do not meet definition of investment property.

	Note	30 September 2020
Property plant and equipment owned		927
Right of use assets, except for investment property		1,785
	13	2,712

The Company leases an asset including land and buildings. Information about leases for which the Company is a lessee is included in note 13 (PP&E).

Amounts recognised in Income statement

	30 September 2020
Interest on lease liabilities	24

The following is a reconciliation of total operating lease commitments at 30 September 2019 (as disclosed in the financial statements to 30 September 2019) to the lease liabilities recognised at 1 October 2019:

Total operating lease commitments disclosed at 30 September 2019	2,928
Recognition exemptions:	
• Leases of low value assets	-
• Leases with remaining lease term of less than 12 months	-
Variable lease payments not recognised	(628)
Other minor adjustments relating to commitment disclosures	-
Operating lease liabilities before discounting	<u>2,300</u>
Discounted using incremental borrowing rate	(68)
Operating lease liabilities	<u>2,232</u>
Reasonably certain extension options	-
Total lease liabilities recognised under IFRS 16 at 1 October 2019	<u>2,232</u>

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	30 September 2020	30 September 2019
Current	442	-
Non- current	1,355	-

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

Lease payments not considered as a liability

Short term leases	-
Leases of low value assets	-

Impact on financial statements

On transition to IFRS 16 the Company recognised an additional £2,232K of right of use assets and £2,232K of lease liabilities, recognising the difference between these in retained earnings.

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 October 2019. The weighted average rate applied is 1.2%.

The following is the reconciliation of the financial statements line items from IAS 17 to IFRS 16 at 1 October 2019

	Reported at 30 September 2019	Impact of IFRS 16 adoption	Restated
Property plant & equipment	1,025	2,232	3,257
Lease liabilities	-	(2,232)	(2,232)
Total	1,025	-	1,025

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

3. Revenue

Revenue is earned from the business category of Digital Industries.

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

	Year ended September 30,	
	2020	2019
Software Licenses	67,699	83,680
Maintenance services	127	292
Professional services	301	584
	<hr/>	<hr/>
Total Revenue by business line	68,127	84,556
	<hr/>	<hr/>

	Year ended September 30,	
	2020	2019
Europe	66,448	1,109
Asia	125	159
USA	1,320	82,831
Rest of the world	234	457
	<hr/>	<hr/>
Total Revenue by geographical market	68,127	84,556
	<hr/>	<hr/>

Timing of revenue recognition

The transaction price allocated to the remaining performance obligations (Unsatisfied or partially satisfied) as at 30 September 2020 are, as follows:

	Within one year	More than one year
Revenue	188	-
	<hr/>	<hr/>
	188	-
	<hr/>	<hr/>

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

4. Other operating (expense) / income

	Year ended September 30,	
	2020	2019
Profit / (loss) on disposal of property, plant and equipment and intangibles	-	(3)
Profit on disposal of businesses	-	4,004
Other	(15)	(9)
	<u>(15)</u>	<u>3,992</u>

There was no sale of investments in FY20.

The sale of investment in Siemens Industry Software Computational Dynamics India Private Limited for INR 482,006k, as part of group reorganisation resulted in a gain on sale of investment of £3,928k in FY19.

The sale of investment in Siemens Computational Science (Shanghai) co. Ltd. for RMB 18,800k, as part of group reorganisation resulted in a gain on sale of investment of £75k in FY19.

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

	Year ended September 30,	
	2020	2019
Net foreign exchange loss / (gains)	438	(243)
Research and development costs	43,103	43,095
Depreciation of property, plant and equipment	858	485
Amortisation of intangible assets	81	90
Staff costs (see note 6)	10,355	10,821
Research and Development Expenditure Credit	(97)	(712)
Grants received	(166)	-
Auditor's remuneration:		
- audit of financial statements	41	41

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2019: £nil).

6. Staff numbers and costs

	Year ended September 30,	
	2020	2019
Wages and salaries	8,517	9,015
Social security costs	1,134	1,139
Expenses relating to pension plans and employee benefits	704	667
	<u>10,355</u>	<u>10,821</u>

Expenses relating to pension plans and employee benefits include service costs for the period. Expected return on plan assets and interest costs are included in *interest income* and *interest expense* respectively.

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

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

	Year ended September 30,	
	2020	2019
	Number	Number
Engineering services	18	24
Sales and marketing	40	42
Research and development	54	54
	<u>112</u>	<u>120</u>

7. Directors' emoluments

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

8. Interest income and interest expense

Interest expense is all for financial assets or liabilities that are not at fair value through the Statement of Income.

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

	Year ended September 30,	
	2020	2019
Interest income	60	904
Interest income - negative income on financial assets	(19)	(3)
Interest income, net	<u>41</u>	<u>901</u>
Interest expense	(22)	(24)
Interest expense – lease liability	(24)	-
Interest expense, net	<u>(46)</u>	<u>(24)</u>

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

Interest expense includes expense arising directly from operating activities, primarily related to, finance lease interest and interest on financial liabilities. Interest income includes interest arising primarily from interest on financial assets.

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

9. Taxes

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

	Year ended September 30,	
	2020	2019
Current tax:		
UK corporation tax	2,910	6,921
Foreign income taxes	-	491
Adjustments for prior years	97	(25)
	<u>3,007</u>	<u>7,387</u>
Deferred tax:		
Origination and reversal of temporary differences - current year	27	27
Origination and reversal of temporary differences - prior years	-	-
Deferred tax rate change adjustment	(44)	-
	<u>2,990</u>	<u>7,414</u>
Tax expense		

Of the deferred tax credit in 2020 and the deferred tax expense in 2019, £ (17)k and £27k, respectively, relate to the origination and reversal of temporary differences.

For the years ended September 30, 2020 and 2019, the Company was subject to UK corporation tax at a rate of 19%. The total tax expense or credit differs from the amounts computed by applying the statutory UK tax rate as follows:

	Year ended September 30,	
	2020	2019
Net income before tax (continuing operations)	15,111	40,713
Tax at 19% (2019: 19%)	2,871	7,735
Increase / (decrease) in income taxes resulting from:		
Non-deductible losses and expenses	39	(778)
Research and development tax credit	30	-
Under / (over) provided in prior years - current tax	97	(25)
Irrecoverable foreign tax	-	485
Deferred tax rate change adjustment	(44)	-
Rate change adjustment difference between Corporation Tax and Deferred Tax rate	(3)	(3)
	<u>2,990</u>	<u>7,414</u>
Total income tax expense for the year		

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

As part of Budget 2020, the Government announced that the reduction in the corporate income tax rate to 17%, that was previously enacted to be effective from 1 April 2020, would be cancelled. Accordingly, the deferred tax balance as at 30 September 2020 is calculated using a corporate income tax rate of 19% (2019: 17%).

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

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

	2020	September 30, 2019
Assets:		
Property, plant and equipment	398	384
Pension plans and similar commitments	18	15
	<hr/>	<hr/>
Deferred tax assets	416	399
	<hr/>	<hr/>

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

As of September 30, 2020, the Company has £nil (2019: £ nil) of gross tax loss carry forwards. Management considers it probable that the future operations will generate sufficient taxable income to realise the deferred tax assets.

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

	2020	September 30, 2019
Deferred tax assets balance as at October 1	399	426
Income tax presented in the Statement of income	17	(27)
	<hr/>	<hr/>
Deferred tax assets balance as at September 30	416	399
	<hr/>	<hr/>

10. Goodwill

	2020	September 30, 2019
Cost and net book value		
At October 1, 2019	237	237
	<hr/>	<hr/>
At September 30, 2020	237	237
	<hr/>	<hr/>

Impairment of Goodwill

The Company performs the mandatory annual impairment test in the three months ended September 30, in accordance with the accounting policy stated in note 2. The recoverable amounts for the annual impairment test 2020 for the cash generating unit (CGU) were estimated to be higher than the carrying amounts. Key-assumptions on which management has based its determinations of the fair value less costs to sell for the business' carrying amount include terminal value growth rate of 1.5% and after-tax discount rate of 9%.

For the purpose of estimating the fair value less costs to sell of the CGU, cash flows were projected for the next five years based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions. Discount rates reflect the current market assessment of the risks specific to the division and are based on the weighted average cost of capital for the division. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

Management believes that no reasonably possible change in a key assumption would cause the carrying amount of goodwill to exceed the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

11. Other intangible assets

	Software	Total
Cost		
At October 1, 2019	1,513	1,513
	<hr/>	<hr/>
At September 30, 2020	1,513	1,513
	<hr/>	<hr/>
Amortisation		
At October 1, 2019	1,405	1,405
Charge for the year	81	81
	<hr/>	<hr/>
At September 30, 2020	1,486	1,486
	<hr/>	<hr/>
Net book value		
At September 30, 2019 and October 1, 2019	108	108
At September 30, 2020	27	27

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

12. Property, plant and equipment

	Land & buildings	Technical machinery & equipment	Furniture & office equipment	Total property, plant & equipment
Cost				
At October 1, 2019	268	3,411	259	3,938
IFRS 16 adjustments	2,232	-	-	2,232
Revised balance as at October 1, 2019	2,500	3,411	259	6,170
Additions	-	310	3	313
Disposals	-	(3)	-	(3)
At September 30, 2020	2,500	3,718	262	6,480
Accumulated depreciation and impairment				
At October 1, 2019	250	2,476	187	2,913
Charge for the year	451	386	21	858
Disposals	-	(3)	-	(3)
At September 30, 2020	701	2,859	208	3,768
Net book value				
At September 30, 2019 and October 1, 2019	18	935	72	1,025
At September 30, 2020	1,799	859	54	2,712

SIEMENS INDUSTRY SOFTWARE COMPUTATIONAL DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

13. Investments

Cost and net book value	Shares in joint ventures	Total
At October 1, 2019	33	33
At September 30, 2020	33	33

The companies and partnerships set out below are the subsidiary undertakings as at September 30, 2020. Shareholdings are in voting equity capital of companies registered in England and Wales and the voting equity capital is wholly owned, except where otherwise stated.

Company	Country of Incorporation or regulation	Class of share capital held	Proportion of ordinary equity and voting rights held	Nature of business
Siemens PLM Software Computational Dynamics K.K.	Japan	Ordinary	50%	Software sales and support

14. Trade and other receivables

	2020	September 30, 2019
Trade debtors	6	49
Receivables from group companies	37,082	145,088
Prepaid expenses	230	256
Other receivables	202	202
	<u>37,520</u>	<u>145,595</u>

As at September 30, 2020, receivables from group companies include a deposit of £nil (FY19: £130m) with Siemens Financial Services.

15. Trade creditors

	2020	September 30, 2019
Trade payables	477	283
Amounts due to group companies	7,541	1,267
Other current liabilities	80	72
	<u>8,098</u>	<u>1,622</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

16. Contract assets and liabilities

As of 30 September 2020, and 2019, amounts expected to be settled after twelve months are £nil and £nil for contract assets and £nil and £nil respectively for contract liabilities. In fiscal 2020 and 2019, contract assets presented net of allowances of £nil and £nil as of 30 September 2020 and 2019), decreased due to impairments with income statement impacts of £nil and £nil million respectively. In fiscal 2020 and 2019, £nil and £nil are included in the revenue, relating to performance obligations satisfied in previous periods. In fiscal 2020 and 2019, revenue includes £0.3m and £1m, respectively, which was included in contract liabilities at the beginning of the fiscal year.

17. Other creditors including tax and social security

	September 30,	
	2020	2019
Payroll and social security taxes	536	595
Bonus obligations	143	209
Other employee related costs	173	170
Other tax liabilities	32	-
Other accrued liabilities	264	398
	1,148	1,372

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

18. Stock awards

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG and Siemens Energy AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. Total pre-tax expense for share-based payment recognised in Siemens Industry Software Computational Dynamics Limited net income for continuing and discontinued operations amounted to £8.8k and £4.6k for the year ended September 30, 2020 and 2019 respectively and refers primarily to equity-settled awards.

Stock awards

The Company grants stock awards to members of the Managing Board, members of the senior management and other eligible employees. Stock awards are subject to a restriction period of about four years and entitle the beneficiary to Siemens shares following the restriction period without payment of consideration.

Stock awards are tied to performance criteria. The annual target amount for stock awards can be bound to the average of earnings per share (EPS, basic) of the past three years and / or to the share price performance of Siemens relative to the share price performance of five important competitors during the four-year restriction period. The target attainment for the performance criteria ranges between 0 % and 200 %. If the target attainment of the prospective performance-based target of Siemens stock relative to five competitors exceeds 100 %, an additional cash payment results corresponding to the outperformance.

In the year ended September 30, 2020 Siemens AG granted 417 (2019: 256) stock awards to 10 employees (2019: 4 UK employees). Details on stock award activity and weighted average grant-date fair value are summarised in the table below:

	Year ended September 30,		Year ended September 30,	
	Awards	Weighted average grant- date fair value (€)	Awards	Weighted average grant- date fair value (€)
	2020	2020	2019	2019
Non-vested, beginning of period	397	55.49	141	72.29
Granted	417	59.75	256	44.69
Forfeited	(35)	23.49	-	0.00
Non-vested, end of period	769	60.14	397	55.49
Weighted average remaining years	2.38		2.728	

Fair value was determined as the market price of Siemens shares less the present value of expected dividends expected during the four- or three-year vesting period. Total fair value of stock awards granted in 2020 and 2019 amounted to €25k and €11 k respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

Share-matching program and its underlying plan

In fiscal year 2016, Siemens issued a new tranche under each of the plans of the Share Matching Program.

Share - matching plan

Under the Share Matching Plan senior managers may invest a specified part of their variable compensation in Siemens shares (investment shares). The shares are purchased at the market price at a predetermined date in the second quarter. Plan participants receive the right to one Siemens share without payment of consideration (matching share) for every three investment shares continuously held over a period of about three years (vesting period) provided the plan participant has been continuously employed by Siemens until the end of the vesting period.

A UK specific Share Incentive Plan has been launched in FY 2020 based on the principles of the Global Share Matching Plan. The new scheme entitles employees in the UK to invest a specified part of their annual gross salary in Siemens shares (investment shares). Matching shares are allocated together with the acquisition of investment shares. If the investment shares and the matching shares are held for another two years in addition to a three-year vesting period (five years in total), these are free of income tax and NIC when withdrawn from the plan.

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above. In the year ended September 30, 2020 Siemens AG granted 293 (2019: 310) shares to 32 (2019: 34) UK employees.

Details on share matching plan activity and weighted average grant-date fair value are summarised in the table below:

	Year ended September 30,		Year ended September 30,	
	Awards	Weighted average grant- date fair value (€)	Awards	Weighted average grant- date fair value (€)
	2020	2020	2019	2019
Non-vested, beginning of period	302	82.43	-	0.00
Granted	293	94.86	310	82.43
Forfeited	(6)	86.89	(8)	82.43
Non-vested, end of period	588	88.56	302	82.43
Weighted average remaining years	0.83		1.333	

Fair value was determined as the market price of Siemens shares less the present value of expected dividends taking into account non-vesting conditions. Total fair value of shares granted under the share matching plan in 2020 and 2019 amounted to €28k and €26k respectively.

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

	September 30,	
	2020	2019
129,546 (2019: 129,546) Ordinary Shares of 10p each	13	13

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2020 and 2019 (in thousands of £)

20. Commitments and contingencies

As of September 30, 2020, future payment obligations under non-cancellable operating leases are as follows:

	2020	2019
	Total	Total
Within one year	-	325
After one year but not more than five years	-	2,603
More than five years	-	-

The leases with the remaining lease period under 12 months as of 1 October 2020, have been written off in the income statement and the leases with the remaining period over 12 months have been capitalised in accordance with IFRS 16.

21. Post balance sheet events

There were no significant events after the reporting period.

22. Ultimate parent undertaking

The immediate parent undertaking is Siemens Beteiligungen Europa GmbH, a company incorporated in Germany. The ultimate parent undertaking and controlling party is Siemens AG, incorporated in Germany. Siemens AG is the only group undertaking of which the Company is a member for which group financial statements are prepared. Copies of the group financial statements are available on the internet at <http://www.siemens.com/annualreport> or obtained from:

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