

MSC.SOFTWARE LIMITED
AUDITED
DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019



MSC.SOFTWARE LIMITED

COMPANY INFORMATION

Directors

Mr P Guglielmini
Miss H E Peall

Company secretary

Miss H E Peall

Registered number

02033042

Registered office

Cedar House
78 Portsmouth Road
Cobham
Surrey
KT11 1HY

Independent auditors

Wellden Turnbull Limited
Chartered Accountants & Statutory Auditors
Albany House
Claremont Lane
Esher
Surrey
KT10 9FQ

MSC.SOFTWARE LIMITED

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MSC.SOFTWARE LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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 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 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;
- 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.

Principal activities

The principal activities of the company in the year under review continued to be the provision of marketing and technical support for the holding company's engineering analysis software products and associated consultancy and training services.

Results and dividends

The profit for the year, after taxation, amounted to £155,775 (2018 - £136,160).

During the year the directors did not recommend payment of a dividend (2018 - £NIL).

Directors

The directors who served during the year were:

Mr P Guglielmini
Miss H E Peall

Principal risks and uncertainties

Competiton

Competitive pressures in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The Company manages this risk by providing value added services to its customers and by maintaining strong relationships with customers.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Events since the end of the year

Subsequent to the year end, global economies have been negatively impacted by the spread of the Covid-19 virus epidemic. This is considered a non-adjusting event at the year end date. The wider economic impact and direct effect on the results of the Company will take some time to be quantified as the situation evolves over the next few months. The Directors have considered the potential impact on the Company's financial position and believe the current market conditions will not have any material impacts on the Company. Details of the Directors' going concern assessments are included in note 2.3.

Financial instruments

The Company's principal financial instruments comprise its bank balances and trade creditors. The main purpose of these instruments is to finance the company's operations.

In respect of bank balances the liquidity risk is

managed to ensure that funds are available to meet expenditure as it falls due. The directors expect this position to continue.

In respect of cash flow risks management monitor customer and supplier credit terms in order to ensure the company has sufficient operational working capital. In addition cash flows are also monitored at a Group level and where additional funding would be required this can be provided from within the Group rather than seeking external third party funding sources.

In respect of price risk the Group monitors market conditions for its products and acts accordingly to ensure the risk to profitability of the company is low.

Research and development activities

The Company is a partner in various projects for which it receives grants from UK Research and Innovation (UKRI) which is the national funding agency investing in science and research in the UK.

Disclosure of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Under section 487(2) of the Companies Act 2006, Wellden Turnbull Limited will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 24 July 2020 and signed on its behalf.

Miss H E Peall
Director

Opinion

We have audited the financial statements of MSC Software Limited (the 'Company') for the year ended 31 December 2019, which comprise the statement of income and retained earnings, the balance sheet and the related notes, 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 Financial Reporting Standard 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 31 December 2019 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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MSC.SOFTWARE LIMITED (CONTINUED)

We have nothing to report in this regard.

Opinion 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 1, 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.

Auditors' 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 auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

MSC.SOFTWARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MSC.SOFTWARE LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members 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 auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Mark Nelligan ACA (senior statutory auditor)

for and on behalf of

Wellden Turnbull Limited

Chartered Accountants
Statutory Auditors

Albany House
Claremont Lane
Esher
Surrey
KT10 9FQ

MSC.SOFTWARE LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Turnover	4	4,050,389	3,251,856
Cost of sales		(22,816)	(44,249)
GROSS PROFIT		<u>4,027,573</u>	<u>3,207,607</u>
Distribution costs		(349,461)	(153,154)
Administrative expenses		(3,584,668)	(2,924,274)
Other operating income		66,640	23,533
OPERATING PROFIT	5	<u>160,084</u>	<u>153,712</u>
Interest receivable and similar income	8	8,603	9,815
Interest payable and expenses	9	(139)	-
PROFIT BEFORE TAX		<u>168,548</u>	<u>163,527</u>
Tax on profit	10	(12,773)	(27,367)
PROFIT AFTER TAX		<u><u>155,775</u></u>	<u><u>136,160</u></u>
Retained earnings at the beginning of the year		1,641,985	1,505,825
Profit for the year		155,775	136,160
RETAINED EARNINGS AT THE END OF THE YEAR		<u><u>1,797,760</u></u>	<u><u>1,641,985</u></u>
The notes on pages 8 to 18 form part of these financial statements.			

MSC.SOFTWARE LIMITED
REGISTERED NUMBER:02033042

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Tangible assets	11	53,461	26,150
CURRENT ASSETS			
Debtors: amounts falling due within one year	12	875,170	413,487
Cash at bank and in hand		1,707,072	2,037,931
		<u>2,582,242</u>	<u>2,451,418</u>
Creditors: amounts falling due within one year	13	(687,495)	(685,135)
NET CURRENT ASSETS		<u>1,894,747</u>	<u>1,766,283</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,948,208</u>	<u>1,792,433</u>
PROVISIONS FOR LIABILITIES			
Other provisions		(40,448)	(40,448)
		<u>(40,448)</u>	<u>(40,448)</u>
NET ASSETS		<u><u>1,907,760</u></u>	<u><u>1,751,985</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	110,000	110,000
Profit and loss account		1,797,760	1,641,985
SHAREHOLDERS' FUNDS		<u><u>1,907,760</u></u>	<u><u>1,751,985</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 July 2020.

Miss H E Peall
Director

The notes on pages 8 to 18 form part of these financial statements.

MSC.SOFTWARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

MSC.Software Limited is a private company, limited by shares and incorporated in England and Wales, registered number 02033042. The registered office is Cedar House, 78 Portsmouth Road, Cobham, Surrey, KT11 1HY. During the year the place of business was 4 Archipelago Lyon Way, Frimley, Camberley, GU16 7ER.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting

policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3). These financial statements are presented in sterling which is the functional currency of the Company and rounded the nearest £.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Hexagon AB (publ) as at 31 December 2019 and these financial statements may be obtained from P.O.Box 3692 SE - 103 59 Stockholm.

2.3 Going concern

These Financial Statements have been prepared on a going concern basis which means that the Company will continue to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. In assessing the appropriateness of the going concern basis of preparation the Directors have taken into account the key risks of the business, including the uncertainty surrounding COVID-19. In doing so the Directors have considered the Company's business model and availability of cash resources. The Company principally incurs administrative and selling costs and these are recharged to fellow group companies. The directors cite, if required, the continued support and liquidity available from the Company's ultimate parent Hexagon AB. Having undertaken this assessment, the Directors have a reasonable expectation that the Company has sufficient resources to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these Financial Statements and the Directors considers it appropriate to prepare the Financial Statements on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Commission revenue - This is recognised when the customer has received the access codes to the software and the sales invoice has been raised in Germany.

Training services - Revenue is recognised at the time the training is completed. Revenue collected on training contracts in advance is deferred and taken into income as the training is provided.

Consulting services - Revenue from a contract to provide consulting services is recognised by reference to the stage of completion of the contract.

The stage of completion of the consulting service contract is determined as follows:

Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;

Servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold taking into account historical trends in the number of services actually provided on past goods sold; and Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and retained earnings.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the statement of income and retained earnings on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.7 Government grants

Grants of a revenue nature are recognised in the statement of income and retained earnings in the same period as the related expenditure.

2.8 Interest income

Interest income is recognised in the statement of income and retained earnings using the effective interest method.

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Taxation

Tax is recognised in the statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-

line method.

Depreciation is provided on the following basis:

Leasehold improvements	- over period of the lease
Computer equipment	- 3-5 years straight line
Furniture, fixtures and fittings	- 4-5 years straight line

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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income and retained earnings.

2.12 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.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

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

2.15 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of income and retained earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

MSC.SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.17 Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

2.18 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from and to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of income and retained earnings.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

There are no judgements or estimates when applying the accounting policies that have a significant effect on the amounts recognised in the financial statements that are not readily apparent from other sources.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Commission income	2,720,510	2,626,596
Corporate marketing Income	892,999	259,590
Consulting income	173,216	159,768
Seminar training	96,761	90,090

Project income

166,902	115,812
<u>4,050,388</u>	<u>3,251,856</u>

MSC.SOFTWARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Analysis of turnover by country of destination:

	2019 £	As restated 2018 £
United Kingdom	3,157,389	2,992,266

Rest of Europe	-	-
Rest of the world	892,999	259,590
	<u>4,050,388</u>	<u>3,251,856</u>

In the prior year an amount relating to United Kingdom revenue of £115,812 was presented in Rest of Europe. The prior year figures have been restated to show this amount in United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2019	2018
	£	£
Exchange differences	53,785	7,765
Other operating lease rentals	182,865	183,263
Depreciation on tangible fixed assets	19,285	12,016
	<u>109,795</u>	<u>163,482</u>

6. Auditors' remuneration

	2019	2018
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>9,785</u>	<u>9,500</u>
All other services	<u>5,040</u>	<u>3,450</u>

MSC.SOFTWARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	2,122,863	1,663,448
Social security costs	292,030	223,137
Cost of defined contribution scheme	214,919	166,567
	<u>2,629,812</u>	<u>2,053,152</u>

The directors are also directors of other subsidiary undertakings within the group and their remuneration for the year was paid by other undertakings.

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

	2019 No.	2018 No.
Administration	4	2
Sales	6	6
Consulting	19	19
Marketing	3	-
	<u>32</u>	<u>27</u>

8. Interest receivable

	2019 £	2018 £
Other interest receivable	<u>8,603</u>	<u>9,815</u>

9. Interest payable and similar expenses

	2019 £	2018 £
Other interest payable	<u>139</u>	<u>-</u>

MSC.SOFTWARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	12,773	7,765
Adjustments in respect of previous periods	-	19,602
	<u>12,773</u>	<u>27,367</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>168,548</u>	<u>163,527</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	32,024	31,070
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,693	197
Depreciation in excess of capital allowances	283	135
Adjustments to tax charge in respect of prior periods	-	19,602
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(26,227)	(23,637)
Total tax charge for the year	<u>12,773</u>	<u>27,367</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

MSC.SOFTWARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Tangible fixed assets

	S/Term Leasehold Property £	Computer equipment £	Fixtures & Fittings £	Total £
Cost or valuation				
At 1 January 2019	116,163	142,636	103,325	362,124
Additions	-	48,977	-	48,977
Disposals	-	(16,810)	(32,497)	(49,307)
At 31 December 2019	<u>116,163</u>	<u>174,803</u>	<u>70,828</u>	<u>361,794</u>
Depreciation				
At 1 January 2019	116,156	116,492	103,325	335,973
Charge for the year on owned assets	-	19,285	-	19,285
Disposals	-	(14,428)	(32,497)	(46,925)
At 31 December 2019	<u>116,156</u>	<u>121,349</u>	<u>70,828</u>	<u>308,333</u>
Net book value				
At 31 December 2019	<u>7</u>	<u>53,454</u>	<u>-</u>	<u>53,461</u>

12. Debtors

	2019 £	As restated 2018 £
Trade debtors	90,748	76,983
Amounts owed by group undertakings	622,200	226,774
Other debtors	30,593	3,862
Prepayments and accrued income	131,629	105,868
	<u>875,170</u>	<u>413,487</u>

In the prior year an amount of £222,019 relating to intra group accrued income was presented in prepayments and accrued income. The prior year figures have been restated to show this amount in amounts owed by group undertakings.

MSC.SOFTWARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	81,054	25,403
Amounts owed to group undertakings	188,712	180,294
Corporation tax	12,773	23,093
Other taxation and social security	84,185	65,689
Other creditors	97,225	195,081

Accruals and deferred income	223,546	195,575
	<u>687,495</u>	<u>685,135</u>

14. Provisions

	2019 £	2018 £
At 1 January 2019	40,448	39,655
Charged to profit and loss	-	793
At 31 December 2019	<u>40,448</u>	<u>40,448</u>

This provision relates to the property the Company operates from and the expected cost to restore it to its original state once the lease comes to an end and the Company vacates the property.

15. Grants

The Company is a participant in several projects for which it receives grants from UK Research and Innovation (UKRI) which is the national funding agency investing in science and research in the UK. During the period grants were received of £167,102 (2018 - £115,812).

16. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
110,000 (2018 - 110,000) Ordinary shares of £1 each	<u>110,000</u>	<u>110,000</u>

MSC.SOFTWARE LIMITED

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17. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	As restated 2018 £
Not later than 1 year	142,081	125,736
Later than 1 year and not later than 5 years	256,843	316,275
	<u>398,924</u>	<u>442,011</u>

In the prior year the future minimum lease payments were understated by £302,996. This has been corrected in the current year.

18. Related party transactions

The Company has taken advantage of Section 33 paragraph 1A of Financial Reporting Standard 102 not to disclose transactions with wholly owned group members.

19. Parent company

The Company's parent undertaking is MSC. Software Corporation, a company incorporated in the USA. The ultimate parent undertaking is Hexagon AB (publ). The consolidated financial statements of Hexagon AB (publ) as at 31 December 2019 and may be obtained from Hexagon AB (publ) P.O. Box 3692 SE -103 59 Stockholm.