Registered number 2326316

Dassault Systèmes Biovia Limited

Annual Report and Financial Statements

Year ended 31 December 2017

Registered No: 2326316

Directors
J Jenkins
L Pedersen
J H Kitchingham

Secretary
Shoosmiths Secretaries Ltd

Auditor
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Registered No: 2326316

Strategic report

The directors of Dassault Systèmes Biovia Limited ("the company") present their annual report containing a strategic report, directors' report and the financial statements for the year ended 31 December 2017.

Principal activities and review of the business

The company designs, develops, markets and supports software based solutions that facilitate the discovery and development of new and improved products and processes in the pharmaceutical, biotechnology, energy, chemical, aerospace and consumer packaged goods industries. Using the company's solutions, its customers create and obtain real time access to scientific data that enables them to make informed decisions which increase the probability of success of their chosen path. The company's software and services are intended to reduce its customers' product development costs, shorten the time to market for their new product introductions and improve their business processes. The company's customers include leading commercial, government and academic organisations. Many of the largest pharmaceutical, biotechnology, chemical, energy, aerospace and consumer packaged goods companies' worldwide use the company's software. The company markets its products and services worldwide, principally through its direct sales force, augmented by the use of third-party distributors.

As a sister company to Dassault Systèmes Biovia Corp, the company continues to benefit from an international sales and marketing organisation and complementary products. In return, the sister company benefits from a European sales and marketing organisation, and continuing excellence in new product enhancement and development.

The company's key financial and other performance indicators during the year were as follows:

	2017	*2016*	*Change*
	£'000	*£'000*	*%*
Turnover	26,114	19,599	33.2%
Operating profit	1,572	2,080	-24.5%
Profit after tax	1,360	2,099	-35.2%
Shareholders' deficit	(4,544)	(5,904)	-23.0%
External turnover (excluding turnover from group undertakings)	21,827	15,140	44.2%
Current assets as % of current liabilities	68%	66%	3.03%
Average number of employees	104	110	-5.5%

Total turnover increased by 33.2 % during the year. Total turnover includes external revenue and revenue from a sister company for contract research and development activities. In accordance with the company's revenue recognition policies, revenue is recognized over the contractual license term or percentage of completion for projects. Any increase in orders late in the financial year will therefore primarily impact turnover in the following year.

The 24.5% decrease in operating profit is primarily due to the continued restructure of the UK business following the acquisition by Dassault Systemes SE in 2015.

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Strategic report *(continued)*

Principal activities and review of the business *(continued)*

The company's "quick ratio" (current assets as a percentage of current liabilities) increased to 69% (2016: 66%). This was due to the decrease in creditors; 2017 £15,427K (2016: £19,168K).

Future developments

The company believes that the combination of its scientific operating platform and computer aided design modelling and simulation software and service solutions enables its customers to better utilise their scientific data in order to solve critical business issues throughout their organisations. The company's strategy is to continue to increase the use of its scientific operating platform so that it remains the de facto standard scientific operating platform in the industries it serves.

The company continues to develop advanced analysis and reporting component collections which operate with its platform in order to extend its capabilities and value to its customers. The company's scientific operating platform is also the basis of many of its service offerings, including offerings which integrate and enhance its customers' software, thereby further increasing the use and value of its scientific operating platform. The company intends to market and distribute its solutions to a broader group of users, including scientists, engineers and information technology professionals within its existing customer base, as well as to new customers in other industries.

The company also partners with other companies who provide scientific software and services in order to ensure that their software and service solutions operate with the company's scientific operating platform, further proliferating its use and value to its customers.

Principal risks and uncertainties

The company's principal financial assets are bank balances, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, is based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and blue chip customers.

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Foreign currency risk management during the year was undertaken at the Dassault Systèmes SE group level to mitigate the risk to the wider group.

In the long term the company is dependent on the following risks and uncertainties:

Marketplace and environment

Historically the company has deriven a significant portion of its revenue from the sale of modelling and simulation software to the discovery research departments in pharmaceutical and biotechnology companies. Such revenues had been declining over the past few years but this decline slowed in the past year and the company has increased the revenue it derives from other product and service offerings. The company continues to invest in its product portfolio launching new ground-breaking products to further expand its portfolio across the entire product lifecycle.

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Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Operational

The company's success depends in part on the continued service of key scientific, sales, business development, marketing, engineering, management and accounting personnel and its ability to identify, hire and retain additional personnel. There is intense competition for qualified personnel. Failure to attract and retain skilled personnel could have a material adverse effect on the company. In recognition of this risk the company actively ensures that its personnel are remunerated at a competitive market rate and provides a framework of incentives to retain key personnel.

Intellectual property

The company relies upon trade secrets, technical know-how and continuing technological innovation to develop and maintain its competitive position. The company generally requires employees and consultants to execute confidentiality and assignment-of-inventions agreements. Its employees and consultants may breach these agreements. Also foreign laws may not afford the company sufficient protection for its intellectual property. In addition, to the extent that the company's employees are involved in research areas similar to those in which they were involved at their former employers, the company may inadvertently use or disclose alleged trade secrets or other proprietary information of their former employer. Thus, its products may infringe patent or other intellectual property rights of third parties, and the company may be subject to infringement claims by third parties.

Signed on behalf of the board

Jane Jenkins
Director
09 JULY 2018

Registered No: 2326316

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year amounted to £1,360K (2016: £2,099K). The directors do not recommend the payment of a dividend (2016: £nil).

Research and development

Development of the company's software is focused on expanding product lines, designing enhancements to the core technology and integrating existing and new products into the company's principal software architecture and platform technology. The company intends to offer regular updates to its products and to continue to look for opportunities to expand its existing product suite. The company continues to develop component collections which operate with the scientific operating platform to offer its customers advanced scientific functions such as image, text and chemical analysis. In addition, the scientific operating platform provides the underlying platform on which the company has built many of its modelling, simulation and informatics solutions thus delivering a fully integrated experience for the company's customers.

Directors

The directors who served the company during the year and to the date of this report, except as stated otherwise, were as follows:

S M Carnecchia (resigned 30 September 2017)
S J Chadwick (resigned 15 December 2017)
J Jenkins
L Pedersen (appointed 1 October 2017)

Subsequent to the year end J H Kitchingman was appointed as a director on 3 January 2018.

Going concern

The Strategic Report and Directors' Report summarise the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, it discusses the principal risks and uncertainties it faces.

The company is dependent on the continued financial support of its immediate parent undertaking at the date of this report being Dassault Systèmes UK Ltd. The immediate parent undertaking has stated that adequate support will be made available for the foreseeable future to enable the company to meet its liabilities as they fall due. Both companies are part of the Dassault Systèmes SE cash pooling arrangement, which give the company access to cash resources of €2,459 million.

On 1 July 2018 the immediate parent company, Dassault Systèmes UK Limited, purchased the trade and net assets of the company via an intra-group business and asset transfer agreement. The transfer of the net assets were made at book value and will be completed within 60 days from the transfer date. In addition consideration of £16.6m was paid for the customer relationship attributable to the customer contracts transferred and Goodwill (Including workforce).

The Company ceased to trade from the date of transfer and is intended to be dissolved at a future date. In accordance with the requirements of Section 3 of FRS 102, these financial statements are prepared on a basis other than going concern to reflect the fact that trading ceased on 1 July 2018. Nevertheless, assets continue to be carried at their recoverable amount which reflects the operation of the Company until that date and the amounts recovered on transfer or settlement as appropriate. In addition, assets and liabilities are classified as current or non-current in accordance with the contractual terms of those balances and the anticipated timing of settlement

Directors' and officers' indemnity insurance

The ultimate parent has taken out insurance to indemnify, against third party proceedings, the directors of the company whilst serving on the board of the company. These indemnity policies existed throughout the year and remain in place at the date of this report.

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Directors' report *(continued)*

Statement as to disclosure of information to auditor

The directors who were members of the board at the time of approving this report, are listed above. Having made enquiries of the company's auditor, each of these directors confirms that:

- To the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditor is unaware; and
- They have taken all the steps a director might reasonably be expected to have taken, to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Signed on behalf of the board

Jane Jenkins
Director
09 JULY 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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), including FRS 102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland". 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper 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 to 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.

Independent auditor's report

to the members of Dassault Systèmes Biovia Limited

Opinion

We have audited the financial statements of Dassault Systèmes Biovia Limited for the year ended 31 December 2017 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 20, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". As set out in note 1, these financial statements have been prepared on a basis other than going concern.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report *(continued)*

to the members of Dassault Systèmes Biovia Limited

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

Ernst & Young LLP

Farzin Radfar (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date: 12 July 2018

Statement of Comprehensive Income
for the year ended 31 December 2017

	Notes	*2017* *£'000*	*2016* *£'000*
Turnover	2	26,114	19,599
Cost of sales		(17,488)	(13,009)
Gross Profit		**8,626**	**6,590**
Administrative expenses		(10,125)	(8,932)
Other operating income			
- other	3	3,071	4,422
Operating profit	3	**1,572**	**2,080**
Interest payable and similar charges	6	(4)	(44)
Profit on ordinary activities before tax		**1,568**	**2,036**
Tax on profit on ordinary activities	7	(208)	63
Profit for the financial year		**1,360**	**2,099**
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		1,360	2,099

Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital	*Capital Contribution*	*Profit and loss account*	*Total share-holders' deficit*
	£'000	*£'000*	*£'000*	*£'000*
At 1 January 2016	-	68	(8,071)	(8,003)
Profit for the year	-	-	2,099	2,099
At 31 December 2016	-	68	(5,972)	(5,904)
Profit for the year	-	-	1,360	1,360
At 31 December 2017	-	68	(4,612)	(4,544)

Statement of Financial Position
at 31 December 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Intangible fixed assets	8	79	177
Tangible fixed assets	9	313	492
		392	669
Current assets			
Debtors	10	10,357	12,234
Cash at bank and in hand		239	466
		10,596	12,700
Creditors: amounts falling due within one year	11	(15,427)	(19,168)
Net current liabilities		(4,831)	(6,468)
Total assets less current liabilities		(4,439)	(5,799)
Provision for liabilities	12	(105)	(105)
Net liabilities		**(4,544)**	**(5,904)**
Called up share capital	17	-	-
Capital contribution	18	68	68
Profit and loss account		(4,612)	(5,972)
Equity Shareholders' deficit		**(4,544)**	**(5,904)**

The financial statements were approved by the directors and authorised for issue on the 09 JULY 2018, and were signed on its behalf by:

Jane Jenkins
Director

Company Registered number: 2326316

Notes to the financial statements
for the year ended 31 December 2017

1. Accounting policies

Basis of preparation
The financial statements are prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 31 December 2017.

The financial statements are prepared in sterling, as it is the functional currency of the company, and rounded to the nearest £'000.

The company has taken advantage of the following disclosure exemptions under FRS102 reduced disclosure framework:

a) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
b) The requirements of Section 11 Basic Financial Instruments paragraphs 11.40 to 11.48A.
c) The requirements of Section 12 Other Financial Instruments Issues paragraphs 12.26 to 12.29A.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position, comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Deferred taxation
Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income, that arise from the inclusion of income and expenses in tax assessment in periods different from those in which they are recognized in the financial statements, except that:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

Going concern
The company is dependent on the continued financial support of its immediate parent undertaking at the date of this report being Dassault Systèmes UK Ltd. The immediate parent undertaking has stated that adequate support will be made available for the foreseeable future to enable the company to meet its liabilities as they fall due. Both companies are part of the Dassault Systèmes SE cash pooling arrangement, which give the company access to cash resources of €2,459 million.

On 1 July 2018 the immediate parent company, Dassault Systèmes UK Limited, purchased the trade and net assets of the company via an intra-group business and asset transfer agreement. The transfer of the net assets were made at book value and will be completed within 60 days from the transfer date. In addition consideration of £16.6m was paid for the customer relationship attributable to the customer contracts transferred and Goodwill (Including workforce).

The Company ceased to trade from the date of transfer and is intended to be dissolved at a future date. In accordance with the requirements of Section 3 of FRS 102, these financial statements are prepared on a basis other than going concern to reflect the fact that trading ceased on 1 July 2018. Nevertheless, assets continue to be carried at their recoverable amount which reflects the operation of the Company until that date and the amounts recovered on transfer or settlement as appropriate. In addition, assets and liabilities are classified as current or non-current in accordance with the contractual terms of those balances and the anticipated timing of settlement.

Government grants
Government grants are recognized when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies *(continued)*

Goodwill

Goodwill represents the excess of the consideration payable over the fair value of the net assets acquired at the acquisition date. Goodwill is capitalized and is amortised on a straight-line basis over its useful economic life which is currently considered to be 7 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment

Goodwill and intangible assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate based upon the company's weighted average cost of capital that reflects current market assessments of the time value of money and specific risks to the company.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated depreciation and provision for impairment losses.

Software Equipment - over 3 years

The carrying value of intangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments, are initially recognised at the present value of cash payable (including interest). After initial recognition, they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in the finance revenue in the income statement.

Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities, as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors, such as the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Operating lease commitments

The company as a lessee obtains the use of property and equipment. The classification of such leases as operating or finance leases requires the company to determine, based upon an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Notes to the financial statements
for the year ended 31 December 2017

1. Accounting policies *(continued)*
Judgments and key sources of estimation uncertainty *(continued)*

Taxation
The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Operating lease agreements
Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term. Lease incentives are recognized over the life of the lease.

Pension costs
The company operates personal pension arrangements for its employees. Contributions are charged to the income statement as they become payable.

Provision for liabilities
A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

Research and development
Research and development expenditure is written off in the income statement in the year that it is incurred.

Revenue recognition
License, maintenance and subscription revenue is recognised over the period to which the contract relates. If services are sold with licenses/maintenance, then such service revenue is recognised over the same period as the related license/maintenance revenue. Otherwise service revenue is recognised on a percentage of completion as the services are delivered.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year, are recorded at transaction price. Any losses arising from impairment are recognised in the income statements in aministrative expenses.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful economic life, as follows:

Leasehold improvements	-	period of lease
Equipment	-	over 3 years
Fixtures and fittings	-	over 3 years

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the financial statements
for the year ended 31 December 2017

2. Turnover
Turnover represents revenues from goods sold and services provided to third parties and to sister companies in the USA and in EMEA, excluding VAT.

	2017	2016
	£'000	*£'000*
External turnover	21,827	15,140
Turnover from group undertakings	4,287	4,459
	26,114	19,599

Turnover and operating profit are attributable to the principal activities of the company.

An analysis of turnover by class and geographical area has been omitted as permitted by the Companies Act 2006 as the directors consider it to be seriously prejudicial.

3. Operating profit
Operating profit is stated after charging/(crediting):

	2017	2016
	£'000	*£'000*
Auditor's remuneration for the audit of the company's financial statements	68	62
Research and development expenditure written off, included within COS	3,512	3,997
- Research & development expenditure credit	(248)	(273)
Depreciation of owned tangible fixed assets	181	221
Amortisation of goodwill	26	26
Amortisation of intangible fixed assets	72	74
Operating lease rentals - land and buildings (net of provisions)	890	890
Net gains/(losses) on foreign currency transactions	247	(545)

Other operating income:

Management fees charged to other group undertakings	(3,041)	(4,422)
Other	(30)	-
	(3,071)	(4,422)

Notes to the financial statements
for the year ended 31 December 2017

4. Staff costs

	2017	*2016*
	£'000	*£'000*
Wages and salaries	7,483	7,324
Social security costs	884	874
Pension costs (see note 13)	486	482
Other benefits	221	220
	9,074	8,900

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

	2017	*2016*
	No.	*No.*
Development, sales and marketing	93	97
Office management	11	13
	104	110

5. Directors' remuneration

	2017	*2016*
	£'000	*£'000*
Aggregate remuneration in respect of qualifying services	-	-
Compensation for loss of office	-	-
	-	-
Value of company contributions to personal pension arrangements	-	-
	No.	*No.*
Members of personal defined contribution pension schemes, to which the company contributes	-	-
Members of personal defined benefit pension schemes	-	-
Number of directors who exercised share options	-	-
Number of directors who received shares for qualifying service	-	-

All of the directors of the company, in both the current and prior year, were employed and remunerated by other group companies. The directors received total remuneration of £1,507K (2016: £1,590K) plus pension contributions to defined contribution pension schemes of £30K (2016: £28K). The directors do not believe that it is practicable to apportion this amount between their qualifying services as director of the company and their services as director of the immediate parent company and other fellow group undertakings.

The aggregate emoluments of the highest paid director was £1,033K (2016: £1,192K) and company pension contributions of £8K (2016: £9K) were made to a money purchase scheme on his behalf.

Key management personnel
Certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company, are considered to be key management personnel. Total remuneration in respect of these individuals is £716K (2016 - £708K).

Notes to the financial statements
for the year ended 31 December 2017

6. Interest payable and similar charges

	2017 £'000	2016 £'000
Interest on intergroup loan	4	44
	4	44

7. Tax on profit on ordinary activities

(a) Analysis of tax charge/(credit) in the year
The tax charge/(credit) is comprised as follows:

	2017 £'000	2016 £'000
Current tax:		
UK Corporation tax on profit for the year at 19.25% (2016: 20.00%)	-	-
Adjustment in respect of prior years	70	(54)
	70	(54)
Deferred tax (see note 7c):		
Current year	140	35
Origination & reversal of timing differences	-	(57)
Effect of changes in tax rates	(2)	13
	138	(9)
Tax on profit on ordinary activities	208	(63)

(b) Factors affecting total tax charge/(credit)
The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	1,568	2,036
Tax on profit at standard UK tax rate of 19.25% (2016: 20.00%)	302	407
Expenses not deductible for tax purposes	19	19
Movement on temporary differences upon which no deferred tax recognised	(181)	(391)
Effect of changes in tax rates	(2)	13
Adjustment in respect of prior years	70	(111)
Total tax charge/(credit) for the year (see note 7(a))	208	(63)

Notes to the financial statements

for the year ended 31 December 2017

7. Tax on profit on ordinary activities *(continued)*

(c) Deferred tax

The deferred tax asset recognised in the financial statements and the amounts not recognised are as follows:

	2017		*2016*	
	Recognised £'000	*Not recognised £'000*	*Recognised £'000*	*Not recognised £'000*
Capital allowances in advance of depreciation	-	1,090	-	1,066
Tax losses available	163	4,359	301	4,548
Short term timing differences	-	28	-	43
	163	5,477	301	5,657

A deferred tax asset relating to trading tax losses has been recognised in the financial statements to the extent the directors consider it probable that the tax losses will be utilised in the foreseeable future. The directors expect the deferred tax asset to be utilized in the coming year.

(d) Factors that may affect future charges

The Finance Act 2014, enacted on 17 July 2014, reduced the UK main rate of corporation tax to 20% from 1 April 2015. The Finance Act (No.2) Act 2015, enacted on 18 Nov 15, reduced the UK main rate of corporation tax to 19% from 1st April 2017. The Finance Act 2016, enacted on 15 Sep 16, reduced the UK main rate of corporation tax to 17% from 1st April 2020. As all were enacted at the balance sheet, deferred tax has been calculated accordingly in these financial statements. The above changes to the rate of corporation tax will impact the amount of future cash tax payments to be made by the company.

8. Intangible fixed assets

	Software £'000	*Goodwill* £'000	*Total* £'000
Cost:			
At 1 January 2017	240	179	419
Disposals	(25)	-	(25)
At 31 December 2017	215	179	394
Depreciation:			
At 1 January 2017	132	110	242
Disposal	(25)	-	(25)
Charge for the year	72	26	98
At 31 December 2017	179	136	315
Net book value:			
At 31 December 2017	36	43	79
At 31 December 2016	108	69	177

Goodwill arose on the acquisition of the trade and assets of Symyx Technologies (UK) Limited on 30 September 2012 and is being amortised over the directors' estimate of its useful economic life of 7 years.

Notes to the financial statements
for the year ended 31 December 2017

9. Tangible fixed assets

	Leasehold improvements £'000	*Equipment* £'000	*Fixtures and fittings* £'000	*Total* £'000
Cost:				
At 1 January 2017	1,128	682	19	1,829
Additions	-	-	3	3
Disposals	(48)	(331)	(19)	(398)
At 31 December 2017	1,080	351	3	1,434
Depreciation:				
At 1 January 2017	810	508	19	1,337
Charge for the year	63	118	-	181
Disposals	(47)	(331)	(19)	(397)
At 31 December 2017	826	295	-	1,121
Net book value:				
At 31 December 2017	254	56	3	313
At 31 December 2016	318	174	-	492

10. Debtors

	2017 *£'000*	*2016* *£'000*
Trade debtors	7,810	10,515
Amounts owed by fellow group undertakings	704	294
Amounts owed by parent company	970	116
Other debtors	-	25
Prepayments and accrued income	462	486
Deferred tax asset (see note 7(c))	163	301
R&D tax claim	248	497
	10,357	12,234

11. Creditors: amounts falling due within one year

	2017 *£'000*	*2016* *£'000*
Trade creditors	294	273
Amounts owed to fellow group undertakings	2,756	2,370
Loan due to Dassault Systèmes SE	-	3,058
Accruals and deferred income	11,272	12,113
Other taxes and social security	1,105	1,354
	15,427	19,168

The loan from Dassault Systèmes SE, the ultimate parent undertaking at the balance sheet date, was unsecured and takes the form of cash pooling bank account. This account is now in credit, hence its inclusion in "Amounts owed by parent company".

Notes to the financial statements

for the year ended 31 December 2017

12. Provision for liabilities

	Dilapidation provision £'000
At 1 January 2017	105
Utilisation of the provision	-
Increase in provision	-
Decrease in provision	-
At 31 December 2017	105

Dilapidation

£105K relates to a lease which expires in 2022 under which the company is liable to restore the building to its original state. The cost is expected to be incurred at the end of the lease.

13. Pensions

The company operates Personal Pension arrangements for its employees. The pension charge for the year amounted to £486K (2016: £482K). Contributions amounting to £78K were outstanding at the year-end (2016: £79K).

14. Commitments under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings	
	2017	2016
	£'000	*£'000*
Amounts Payable:		
Not later than one year	890	890
Later than one year and not later than five years	2,892	3,560
Later than five years	-	222
	3,782	4,672

15. Related party transactions

At 31 December 2017 the company was a wholly owned subsidiary of Dassault Systèmes UK Limited, whose ultimate parent company is Dassault Systèmes SE for which the consolidated financial statements are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 102 from disclosing transactions with other wholly owned group companies.

16. Off-balance sheet arrangements

The company enters into operating lease arrangements for the hire of buildings, as these arrangements are a cost efficient way of obtaining the short term benefit of these assets. The lease rental expense is disclosed in note 3 and the company's commitments under these arrangements are disclosed in note 14. There are no other material off-balance sheet arrangements.

17. Share capital

	Allotted, called up and fully paid	
	2017	2016
	£	*£*
103 Ordinary shares of £1 each	103	103

18. Reserves

Capital contribution

This reserve records the non-refundable capital that has been invested.

Notes to the financial statements
for the year ended 31 December 2017

19. Ultimate parent undertaking and controlling party

As of 31 December 2017, the company's immediate parent company was Dassault Systèmes UK Limited.

The smallest and largest group in which the results of the company for the year ended 31 December 2017 are included, was headed by Dassault Systèmes SE and the consolidated financial statements of this group is available to the public and may be obtained from their website.

Dassault Systèmes SE is controlled by Groupe Industriel Marcel Dassault SAS as holder of 40.87% of the shares and 55.61% of the voting rights of Dassault Systèmes SE as of 31 December 2017.

20. Subsequent events

On 1 July 2018 the immediate parent company, Dassault Systèmes UK Limited, purchased the trade and net assets of the company at book value via an intra-group business and asset transfer agreement.