

Registered no: 2513030

Parametric Technology (UK) Limited
Annual report
for the year ended 30 September 1996



Parametric Technology (UK) Limited

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	Pages
Directors' report	1 - 2
Report of the auditors	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the financial statements	7 - 15

Directors' report for the year ended 30 September 1996

The directors present their report and the audited financial statements for the year ended 30 September 1996.

Principal activities

The company's principal activities during the year were the sale of computer aided design and manufacturing software and the provision of training, consultancy and support to its customers and those customers of its parent undertakings who have operational units in the British Isles.

Review of business and future developments

The profit and loss account for the year is set out on page 4.

The activity level has continued to rise during the year and further growth is being experienced.

Results and Dividends

The profit for the year is £518,649 (1995: £517,481). The directors do not recommend the payment of a dividend (1995: £Nil).

Directors

The directors of the company at 30 September 1996, all of whom have served throughout the year, are as follows:

M L Durcan	(USA)
J F Kelliher	(USA)
C R Harrison	(USA)
J W Lauck	(USA) (resigned 1 July 1997)

M L Durcan was Company Secretary throughout the year.

C C Dunn was appointed Company Secretary on 17 March 1997.

Directors' Interests

No director had any interest in the shares of the company at any time during the year.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, Coopers & Lybrand, have indicated their willingness to continue in office and a resolution proposing their reappointment will be submitted at the annual general meeting.

On behalf of the board



M L Durcan
Director

28 JUL 1997

Report of the auditors to the members of Parametric Technology (UK) Limited

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading



**Profit and loss account
for the year ended 30 September 1996**

	Notes	1996 £	1995 £
Turnover	2	17,673,842	11,279,847
Cost of sales		(7,707,010)	(4,736,895)
Gross Profit		9,966,832	6,542,952
Administrative expenses		(9,947,771)	(6,546,911)
Other operating income	3	945,543	860,659
Operating profit		964,604	856,700
Interest receivable	4	111,397	79,109
Interest payable	5	(205,219)	(110,914)
Profit on ordinary activities before taxation	8	870,782	824,895
Tax on profit on ordinary activities	9	(352,133)	(307,414)
Retained profit for the financial year	18	518,649	517,481
Retained profit brought forward		957,854	440,373
Retained profit carried forward		1,476,503	957,854

All operations are from continuing activities.

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

**Balance sheet
at 30 September 1996**

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	10	717,743	528,744
Current assets			
Debtors	11	5,328,705	4,555,912
Cash at bank and in hand		4,017,510	2,133,978
		<u>9,346,215</u>	<u>6,689,890</u>
Creditors: amounts falling due within one year	12	<u>(4,998,642)</u>	<u>(2,671,967)</u>
Net current assets		<u>4,347,573</u>	<u>4,017,923</u>
Total assets less current liabilities		<u>5,065,316</u>	<u>4,546,667</u>
Creditors: amounts falling due after more than one year	13	<u>(3,577,705)</u>	<u>(3,577,705)</u>
Provisions for liabilities and charges	14	<u>(1,108)</u>	<u>(1,108)</u>
Net assets		<u><u>1,486,503</u></u>	<u><u>967,854</u></u>
Capital and reserves			
Called up share capital	17	10,000	10,000
Profit and loss account		1,476,503	957,854
Equity shareholders' funds	18	<u><u>1,486,503</u></u>	<u><u>967,854</u></u>

The financial statements on pages 4 to 15 were approved by the board of directors on **28 JUL 1997** and were signed on its behalf by:



M L Durcan
Director

Cash flow statement for the year ended 30 September 1996

	Notes	1996 £	1995 £
Net cash inflow/(outflow) from operating activities	19	2,879,558	(1,225,911)
Returns on investments and servicing of finance			
Interest received		111,397	79,109
Interest paid		(205,219)	(110,914)
Net cash outflow from returns on investments and servicing of finance		(93,822)	(31,805)
Taxation			
Corporation tax paid		(318,980)	(158,975)
Investing activities			
Purchase of tangible fixed assets		(583,224)	(275,609)
Net cash inflow from purchase of business assets		-	716,478
Net cash (outflow)/inflow from investing activities		(583,224)	440,869
Net cash inflow/(outflow) before financing		1,883,532	(975,822)
Financing			
Loans from parent undertakings	21	-	3,577,705
Repayment of loans from parent undertakings	21	-	(892,782)
Net cash inflow from financing		-	2,684,923
Increase in cash and cash equivalents	20	1,883,532	1,709,101

**Notes to the financial statements
for the year ended 30 September 1996****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts have been prepared in accordance with the historical cost convention.

Turnover

Turnover represents the amounts, excluding value added tax, derived from the sale of goods and provision of services during the year.

Other operating income

Other operating income represents training and the provision of other services to group companies, excluding value added tax.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of fixed assets over their expected useful lives by the straight line method at the following rates per annum:

Leasehold improvements	Over the lease term
Office equipment	33%
Computer hardware	33%
Computer software	33%

Operating leases

Rentals in respect of operating leases are charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation liabilities are provided using the liability method in respect of timing differences only where in the opinion of the directors it is expected that the liability will become payable within the foreseeable future.

Foreign currencies

Monetary assets and liabilities are translated using the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the relevant transaction. All differences are taken to the profit and loss account.

Pension costs

The company operates defined contribution schemes. The assets of the schemes are held separately from the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

2 Turnover

	1996 £	1995 £
The analysis of turnover is as follows:		
Licence revenue	12,488,287	8,215,859
Maintenance revenue	2,925,733	1,226,187
Training and consulting revenue	2,259,822	1,837,801
	<u>17,673,842</u>	<u>11,279,847</u>

Turnover consists entirely of sales made in the United Kingdom.

3 Operating profit

Other operating income represents management fee income from a parent undertaking.

4 Interest receivable

	1996 £	1995 £
Bank interest	<u>111,397</u>	<u>79,109</u>

5 Interest payable

	1996 £	1995 £
Interest payable to parent undertaking	<u>205,219</u>	<u>110,914</u>

6 Staff number and costs

The average monthly number of employees of the company (excluding directors) during the period was:

	1996 Number	1995 Number
Sales	82	58
General administration	10	7
Support services	19	14
Technical development	11	7
	<u>122</u>	<u>86</u>

The aggregate payroll costs were as follows:

	1996 £	1995 £
Wages and salaries	4,968,384	3,439,300
Social security costs	493,560	335,860
Other pension costs	141,457	97,811
	<u>5,603,401</u>	<u>3,872,971</u>

7 Directors' emoluments

	1996 £	1995 (restated) £
Other emoluments (including pension contributions and benefits in kind)	<u>103,669</u>	<u>18,916</u>

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number (restated)
£0 to £5,000	3	5
£15,001 to £20,000	-	1
£100,001 to £105,000	1	-

Emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £ (restated)
The Chairman	-	-
The highest paid director	103,669	18,916

Prior year figures have been restated to correct the inadvertent omission from the 1995 financial statement of disclosures for the one director in receipt of emoluments.

8 Profit on ordinary activities before taxation

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors' remuneration:		
Audit fees	14,000	9,000
Non-audit fees	32,377	10,250
Depreciation of tangible assets	394,225	225,127
Operating lease rentals:		
- Other	892,102	615,532
- Plant and machinery	162,256	57,705

9 Taxation

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995: 33%)	345,700	316,717
Deferred tax charge	-	(1,108)
Prior year adjustment	6,433	(8,195)
	352,133	307,414

10 Tangible fixed assets

	Leasehold improvements £	Office equipment £	Computer hardware £	Computer software £	Total £
Cost					
At 1 October 1995	112,222	210,389	706,816	26,115	1,055,542
Additions	84,899	105,979	382,140	10,206	583,224
	<u>197,121</u>	<u>316,368</u>	<u>1,088,956</u>	<u>36,321</u>	<u>1,638,766</u>
Depreciation					
At 1 October 1995	43,311	114,815	354,542	14,130	526,798
Charge for year	26,454	75,156	283,959	8,656	394,225
	<u>69,765</u>	<u>189,971</u>	<u>638,501</u>	<u>22,786</u>	<u>921,023</u>
Net Book Amount					
At 30 September 1996	<u>127,356</u>	<u>126,397</u>	<u>450,455</u>	<u>13,535</u>	<u>717,743</u>
At 30 September 1995	<u>68,911</u>	<u>95,574</u>	<u>352,274</u>	<u>11,985</u>	<u>528,744</u>

11 Debtors

	1996 £	1995 £
Trade debtors	3,371,084	2,879,108
Amounts owed by group undertakings	1,358,572	1,202,872
Other debtors	26,547	136,711
Prepayments and accrued income	572,502	337,221
	<u>5,328,705</u>	<u>4,555,912</u>

Included in other debtors are deposits of £172,389 (1995:129,983) in respect of property rental deposits repayable after more than one year.

12 Creditors - amounts falling due within one year

	1996 £	1995 £
Trade creditors	367,847	125,680
Amounts due to group undertakings	1,215,729	469,805
Corporation tax	345,700	312,547
Other taxes and social security	804,165	468,652
Accruals and deferred income	2,265,201	1,295,283
	<u>4,998,642</u>	<u>2,671,967</u>

13 Creditors - amounts falling due after more than one year

	1996 £	1995 £
Amounts due to group undertakings	<u>3,577,705</u>	<u>3,577,705</u>

Amounts due to group undertakings bear interest at 6.25% per annum, with no fixed repayment date.

14 Deferred taxation

The deferred taxation (asset)/liability is as follows:

	1996 £	Unprovided 1995 £	1996 £	Provided 1995 £
Capital allowances in excess of depreciation	(301,613)	(295,041)	1,108	1,108
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

15 Leasing commitments

Annual commitments under non-cancellable operating leases are as follows:

	1996			1995		
	Land & Buildings	Other	Total	Land & Buildings	Other	Total
	£	£	£	£	£	£
Commitments expiring:						
Within one year	-	8,978	8,978	11,437	106,221	117,658
Within 2 to 5 years	50,774	508,015	558,789	49,320	279,309	328,629
After more than 5 years	355,888	-	355,888	268,948	-	268,948
Total	<u>406,662</u>	<u>516,993</u>	<u>923,655</u>	<u>329,705</u>	<u>385,530</u>	<u>715,235</u>

16 Capital Commitments

The Company had not at 30 September 1996 contracted for any capital expenditure not provided for (1995: Nil).

17 Called up share capital

	1996	1995
	£	£
Authorised:		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid:		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

18 Reconciliation of movement in shareholders' funds

	1996	1995
	£	£
Profit for the financial year	518,649	517,481
Opening shareholders' funds	<u>967,854</u>	<u>450,373</u>
Closing shareholders' funds	<u>1,486,503</u>	<u>967,854</u>

19 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1996	1995
	£	£
Operating profit	964,604	856,700
Depreciation charge	394,225	225,127
Increase in debtors	(772,793)	(338,584)
(Decrease)/Increase in creditors	2,293,522	(1,969,154)
Net cash inflow/(outflow) from operating activities	<u>2,879,558</u>	<u>(1,225,911)</u>

20 Analysis of change in cash and cash equivalents during the year

	1996	1995
	£'000	£'000
Balance at 1 October	2,133,978	424,877
Net cash inflow	<u>1,883,532</u>	<u>1,709,101</u>
Balance at 30 September	<u>4,017,510</u>	<u>2,133,978</u>

21 Analysis of changes in financing during the year

	1996		1995	
	Share capital	Loans	Share capital	Loans
	£'000	£'000	£'000	£'000
At 1 October	10,000	3,577,705	10,000	892,782
Net cash inflow	-	-	-	2,684,923
	<u>10,000</u>	<u>3,577,705</u>	<u>10,000</u>	<u>3,577,705</u>

22 Employees' stock option plan

The employees of Parametric Technology (UK) Limited may enjoy the benefits of the 1987 Incentive Stock Option Plan which gives certain employees the option to purchase shares in Parametric Technology Corporation. Details of the plan can be found in the financial statements of that company.

23 Parent undertakings

The parent undertaking of the smallest group of undertakings for which group financial statements are prepared and of which Parametric Technology (UK) Limited is a member is Parametric Holdings Inc, a company incorporated in the United States of America.

The ultimate parent undertaking and the parent of the largest group for which group financial statements are prepared and of which Parametric Technology (UK) Limited is a member is Parametric Technology Corporation, a company incorporated in the United States of America.

Copies of the group financial statements can be obtained from:

Parametric Technology Corporation
128 Technology Drive
Waltham
Massachusetts 02154
USA