

Registered no: 2513030

Parametric Technology (UK) Limited  
Annual report  
for the year ended 30 September 2000



# **Parametric Technology (UK) Limited**

## **Annual report For the year ended 30 September 2000**

<b>Contents</b>	<b>Page</b>
Directors' report	1
Report of the auditors	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6

**Directors' report  
for the year ended 30 September 2000**

The directors present their report and the audited financial statements for the year ended 30 September 2000.

**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**

Our transition from a one-product company to a multi-product company during the course of the year involved a significant reorganisation and re-education of our sales force, which impacted sales productivity to the detriment of License revenues. We expect that the full benefits of this transition will begin to be realised during the second half of 2001. We are pleased with the strong performance of our services business which, in light of the above, is testament to the continued support we are receiving from existing customers.

**Results and dividends**

The loss for the year is shown on page 4. The directors do not recommend the payment of a dividend (1999: £Nil).

**Directors**

The directors of the company at 30 September 2000, all of whom have served throughout the year, unless otherwise stated, are as follows:

J F Kelliher	(USA)	
G R Crouch	(UK)	(resigned 4 February 2000)
D R Freidman	(USA)	
R D Seifert	(Germany)	(appointed 4 February 2000)

Company Secretary	C C Dunn.
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**Directors' interests**

According to the register required to be kept under Section 325 of the Companies Act 1985, no director had any notifiable interest in the shares of the company, or any other group company, during the year ended 30 September 2000.

## **Euro**

The majority of sales are made in the UK and invoiced in sterling and hence the effect on the group of the introduction of the Euro by some European countries has been negligible.

## **Employees**

Parametric Technology (UK) Limited encourages the development of employees. This is achieved by both formal and informal meetings, and a structured training programme. Information on matters of concern to employees is given in a periodic newsletter which seeks to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

It is the company's policy to give every consideration to applications for employment from disabled persons and to afford them every opportunity for appointment to, and training for, positions within their capabilities. Should an employee become disabled during his or her employment with the company, every effort is made to continue employment within his or her existing capability wherever practicable, or failing that, to retrain them to perform in some alternative suitable capacity.

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

## **Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be submitted at the Annual General Meeting.

## **On behalf of the board**



D R Friedman  
Director

## **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**

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

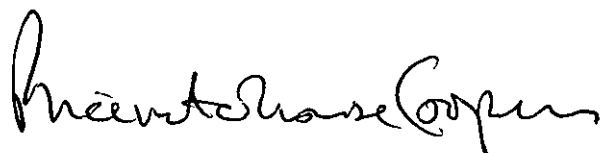
### **Basis of opinion**

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 financial statements 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Reading

29 October 2001

**Profit and loss account  
for the year ended 30 September 2000**

	Notes	2000 £'000	1999 £'000
Turnover	2	44,620	44,972
Cost of sales		(14,413)	(16,132)
<b>Gross profit</b>		<b>30,207</b>	<b>28,840</b>
Administrative expenses		(44,026)	(34,581)
Exceptional items:			
Release of vacant property provision		-	5,573
Release of pension provision		-	1,754
Net administrative expenses		(44,026)	(27,254)
Other operating income		9,325	4,659
<b>Operating (loss)/profit</b>	7	<b>(4,494)</b>	<b>6,245</b>
Profit on sale of subsidiary		-	642
Interest receivable	3	200	178
Interest payable	4	(1,413)	(1,129)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(5,707)</b>	<b>5,936</b>
Taxation	8	(84)	78
<b>(Loss)/retained profit for the financial year</b>	20	<b>(5,791)</b>	<b>6,014</b>

The company has no recognised gains and losses other than the (loss)/profit above and therefore no separate statement of total recognised gains and losses has been presented.

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

All activities are from continuing operations.

# Balance Sheet

## at 30 September 2000

	Notes	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Intangible assets	9	3,753	4,756
Tangible assets	10	2,637	1,917
Investments	11	-	-
		<b>6,390</b>	<b>6,673</b>
<b>Current assets</b>			
Debtors: due after more than one year	12	3,907	3,665
Debtors: due within one year	12	17,695	22,769
Cash at bank and in hand		2,855	10,070
		<b>24,457</b>	<b>36,504</b>
Creditors: amounts falling due within one year	13	(27,081)	(24,574)
<b>Net current (liabilities)/assets</b>		<b>(2,624)</b>	<b>11,930</b>
<b>Total assets less current liabilities</b>		<b>3,766</b>	<b>18,603</b>
Creditors: amounts falling due after more than one year	14	(15,214)	(22,130)
Provision for liabilities and charges	15	(108)	(2,238)
<b>Net liabilities</b>		<b>(11,556)</b>	<b>(5,765)</b>
<b>Capital and reserves</b>			
Called up share capital	18	12	12
Share premium	19	2,220	2,220
Profit and loss account	19	(13,788)	(7,997)
<b>Equity shareholders' deficit</b>	20	<b>(11,556)</b>	<b>(5,765)</b>

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



**D R Friedman**  
Director

24 October 2001

**Notes to the financial statements  
for the year ended 30 September 2000**

**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.

The company has taken advantage of the exemption provided by section 228 of the United Kingdom's Companies Act 1985 from producing consolidated financial statements as it is consolidated within the accounts of Parametric Holdings (UK) Limited, its immediate parent company.

Parametric Technology Corporation, the company's ultimate parent, has confirmed its intention to provide sufficient working capital to the company to enable it to carry on its business without a significant curtailment of its operations for the foreseeable future and at least for the next 12 months. On this basis, the directors consider it appropriate for the financial information to be prepared on a going concern basis.

**Goodwill**

Goodwill represents the difference between the fair value of assets acquired and the fair value of consideration paid.

In accordance with Financial Reporting Standard 10 - "Goodwill and Intangible Assets", goodwill is capitalised and amortised over the period in which benefit is to be gained from the acquisition. Prior to the issue of Financial Reporting Standard 10, goodwill was written off to reserves. No prior year adjustment regarding goodwill written off to reserves in prior years has been made.

**Cash flow**

The company is included within the consolidated financial statements of Parametric Technology Corporation, which are publicly available. Consequently the company is exempt under Financial Reporting Standard 1 from publishing a cash flow statement.

**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 charges for the provision of training and other services to group companies and the reimbursement of research and development expenditure incurred by Parametric Technology (UK) Limited by other group companies.

**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
Plant and machinery	33%
Motor vehicles	25%

## **Leased assets**

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

Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown in creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period.

Leased assets capitalised as above are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

## **Investments**

Fixed asset investments are shown at cost or fair value less amounts written off. Provisions are made for permanent diminutions in value.

## **Deferred income**

The group undertakes to maintain customers' equipment under maintenance contracts on which the company invoices in advance. The income is recognised on a straight line basis over the life of the contract. Maintenance costs are expensed 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 Parametric group operates defined contribution schemes. The assets of the scheme are held separately from the company in independently administered funds. The pension cost charge of £530,000 for the defined contribution scheme represents contributions payable by the company to the funds.

## **Related party transactions**

The company is a wholly owned member of the Parametric Technology Corporation group and, under the terms of Financial Reporting Standard 8 "Related Party Transactions", has taken advantage of the exemption not to disclose transactions with other members of the group.

**2 Turnover**

	2000	1999
	£'000	£'000
Licence revenue	16,522	20,090
Maintenance revenue	16,762	14,407
Training and consulting revenue	11,336	10,475
	44,620	45,972

The level of sales made outside of the United Kingdom is not significant.

**3 Interest receivable**

	2000	1999
	£'000	£'000
Bank interest	200	178

**4 Interest payable**

	2000	1999
	£'000	£'000
Interest payable to parent undertaking	874	213
Finance charges	539	916
	1,413	1,129

**5 Staff numbers and costs**

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

	2000 Number	1999 Number
Sales	137	141
General administration	41	47
Support services	144	112
Technical development	30	26
	352	326

The aggregate payroll costs were as follows:

	2000 £'000	1999 £'000
Wages and salaries	21,709	17,822
Social security costs	2,418	1,718
Other pension costs	530	208
	24,657	19,748

**6 Directors' emoluments**

	2000 £'000	1999 £'000
Aggregate emoluments	38	34
Defined contribution pension costs	-	1
	38	35

There were no directors entitled to retirement benefits under a defined contribution pension scheme at 30 September 2000 (1999: one). During the period two directors exercised options over common stock of Parametric Technology Corporation.

## 7 Operating profit

	2000	1999
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration:		
Audit fees	77	97
Non-audit fees	141	177
Depreciation of tangible assets:		
Owned	1,281	823
Hire purchase	8	-
Operating lease rentals:		
Other	1,969	2,530
Plant and machinery	2,444	1,572
Amortisation of goodwill	1,003	252
Net exchange difference on foreign currency	(9)	(23)

## 8 Taxation

	2000	1999
	£'000	£'000
United Kingdom corporation tax at 30% (1999: 30.5%)		
Current	-	(526)
Prior year	84	448
	84	(78)

Current tax credit has benefited from the utilisation of tax losses and movement in short-term timing differences.

## 9 Intangible assets

	Goodwill
	£'000
<b>Cost</b>	
At 1 October 1999 and 30 September 2000	5,008
<b>Amortisation</b>	
At 1 October 1999	252
Charge for the year	1,003
At 30 September 2000	1,255
At 30 September 2000	3,753
At 30 September 1999	4,756

The goodwill arose from the acquisitions of the trade and assets of ICEM Systems (UK) Limited and Division Limited (apart from an investment in Pixel Fusion Group plc and the intellectual property rights attached to Division Limited) during the year ended 30 September 1999.

The goodwill from these acquisitions is being amortised over a period of 5 years, being the directors' estimate of the period over which economic benefit will be obtained.

**10 Tangible fixed assets**

	Leasehold improvements £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>				
At 1 October 1999	678	3,669	128	4,475
Additions	576	1,471	-	2,047
Reclassification	-	(63)	63	-
Disposals and write-offs	-	(15)	(77)	(92)
<b>At 30 September 2000</b>	<b>1,254</b>	<b>5,062</b>	<b>114</b>	<b>6,430</b>
<b>Depreciation</b>				
At 1 October 1999	374	2,090	94	2,558
Charge for year	158	1,100	37	1,295
Reclassification	-	(30)	30	-
Disposals and write-offs	-	(13)	(47)	(60)
<b>At 30 September 2000</b>	<b>532</b>	<b>3,147</b>	<b>114</b>	<b>3,793</b>
<b>Net book amount</b>				
<b>At 30 September 2000</b>	<b>722</b>	<b>1,915</b>	<b>-</b>	<b>2,637</b>
At 30 September 1999	304	1,579	34	1,917

Motor vehicles with cost of £21,000 (1999:£96,000) and accumulated depreciation of £13,000 (1998: £45,000) and a net book value of £8,000 (1999: £51,000) are assets leased under hire purchase agreements.

**11 Investments**

	£'000
<b>As at 1 October 1999 and 30 September 2000</b>	<b>-</b>

All investments are at cost and represent 100% of the ordinary share capital in the following companies:

	Country of incorporation	Business
Computervision Limited	Great Britain	Non-trading
ICEM Systems (UK) Limited	Great Britain	Non-trading

## 12 Debtors

	2000	1999
	£'000	£'000
Amounts due within one year:		
Trade debtors	11,833	10,074
Amounts owed by group undertakings	2,668	10,350
ACT recoverable	88	88
Corporation tax	476	80
Other debtors	454	345
Prepayments and accrued income	2,176	1,832
	17,695	22,769
Amounts due after one year:		
Property rental deposits	3,907	3,665
	21,602	26,434

## 13 Creditors: amounts falling due within one year

	2000	1999
	£'000	£'000
Obligations under finance leases	2	35
Trade creditors	1,075	3,084
Amounts due to group undertakings	11,639	6,045
Payments on account	412	-
Tax and social security	1,910	1,650
Other creditors	328	-
Accruals and deferred income	11,715	13,760
	27,081	24,574

## 14 Creditors: amounts falling due after more than one year

	2000	1999
	£'000	£'000
Obligations under finance leases	-	16
Amounts due to group companies	14,021	19,154
Accruals and deferred income	1,193	2,960
	15,214	22,130

The amounts due to group companies is interest free and has no fixed date of repayment.

Obligations under hire purchase agreements are repayable as follows:

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	<b>2</b>	<b>35</b>
1 - 2 years	<b>-</b>	<b>16</b>
	<b>2</b>	<b>51</b>

## 15 Provisions

	<b>Contract Costs</b>	<b>Surplus Leasehold</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 October 1999	173	2,065	2,238
Released to profit and loss account	-	(368)	(368)
Utilised during the year	(155)	(1,607)	(1,762)
<b>As at 30 September 2000</b>	<b>18</b>	<b>90</b>	<b>108</b>

The surplus leasehold provision represents the estimated future costs of onerous leases on properties. The release of £368,000 of provision against vacant properties is due to the leases being assigned, sublet or terminated early which was not anticipated in 1999.

The provision for contract costs represents the estimated cost of services on contracts where these are not offset by future income.

The unrecognised deferred taxation asset is as follows:

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Capital allowances in excess of depreciation	<b>2,504</b>	<b>3,126</b>
Short term timing difference	<b>38</b>	<b>87</b>
Losses	<b>5,871</b>	<b>4,890</b>
	<b>8,413</b>	<b>8,103</b>

## 16 Leasing commitments

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

	2000			1999		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
Commitments expiring:						
Within one year	83	1,848	1,931	236	1,351	1,587
Within 2 to 5 years	219	4,402	4,621	882	1,926	2,808
After more than 5 years	1,305	-	1,305	1,627	-	1,627
Total	1,607	6,250	7,857	2,745	3,277	6,022

## 17 Capital Commitments

At 30 September 2000 there was no capital expenditure contracted for but not provided for in the financial statements (1999: £Nil).

## 18 Called up share capital

	2000 £'000	1999 £'000
Ordinary shares of £1 each		
Authorised:	100	100
Allotted, called up and fully paid:	12	12

## 19 Reserves

	Share Premium £'000	Profit & Loss £'000	Total £'000
At 1 October 1999	2,220	(7,997)	(5,777)
Loss for the year	-	(5,791)	(5,791)
At 30 September 2000	2,220	(13,788)	(11,568)

In prior years, £15,009,000 of goodwill has been written off directly to reserves.

## 20 Reconciliation of shareholders' deficit

	2000 £'000	1999 £'000
(Loss)/profit for the year	(5,791)	6,014
Shareholders' deficit at 1 October	(5,765)	(11,779)
Shareholders' deficit at 30 September	(11,556)	(5,765)

**21 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.

**22 Contingent liabilities**

The company is presently in legal proceedings with a customer regarding an alleged breach of warranty. The claim has been resisted, but at present no defence has been prepared by the company. For this reason it is not possible to estimate the likely outcome of this claim, although the total claim is currently for £2.6 million plus interest and legal costs.

**23 Parent undertakings and ultimate controlling party**

The company's immediate parent company at 30 September 2000 was Parametric Holdings (UK) Limited (formerly Mixtone Limited). 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 (UK) Limited  
Technology House  
1 Fleetwood Park  
Barley Way  
Fleet  
Hants  
GU13 8UT

The directors regard Parametric Technology Corporation as the ultimate controlling party.

**24 Going concern status**

Parametric Technology Corporation has confirmed its willingness to continue to support the company for the foreseeable future.