

Registered number 02513030

Parametric Technology (UK) Limited
Directors' report and financial statements
for the year ended 30 September 2011

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Parametric Technology (UK) Limited

Directors' report and financial statements for the year ended 30 September 2011

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Directors' report for the year ended 30 September 2011

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2011

Principal activity

The company offers solutions in the product lifecycle management, or PLM, market (product data management, collaboration and related solutions), the CAx market (computer-aided design, manufacturing and engineering (CAD, CAM and CAE) solutions) and the application lifecycle management (ALM) market

Our software solutions provide our customers with an integral product development system that enables them to create digital product content, collaborate with others in the product development process, control product content, automate product development processes, configure products and product content, and communicate product information to people and systems across the extended enterprise and design chain

Our solutions are complemented by our experienced services and technical support organizations, as well as resellers and other strategic partners. Our services and technical support organizations provide consulting, implementation and training support services to customers worldwide. Our resellers supplement our direct sales force to provide greater geographic and small- and medium-size account coverage.

Total revenue in 2011 as compared to 2010 increased 6% (£0.98 million) with license revenue up 69% (£1.45 million), maintenance revenue down 4% (£0.42 million) and services revenue down 1% (£0.05 million). We attribute the increase in license revenue to increased demand for our products and services as a result of improvement in the economy, our competitive positioning and significant new product releases. In 2011, our maintenance and service revenue was adversely impacted by declines in license revenue in 2010. The company had over 30,000 seats under maintenance as of the end of 2011 and 2010.

Future Outlook

Based on 2011 results, current economic conditions and spending patterns and the competitive strength of our products, we believe we are well-positioned in the markets we serve. The PLM, ALM and the CAx markets present different growth opportunities for us. We believe the market among large businesses for our PLM and ALM Solutions presents the greatest opportunity for revenue growth for us. We believe that the market for our CAx Solutions among small- and medium-size businesses also provides an opportunity for future growth. Conversely, the market for our CAx solutions among large businesses is highly penetrated and presents a lower growth opportunity for us. However, we believe that our Creo product suite, which we released in June 2011, has created an opportunity for us in this market.

On October 1, 2011, the company acquired the trade and net assets of MKS Systems Limited for approximately £12.14 Million. The net assets acquired are set out in note 23.

The company entered into a ten year loan agreement with MKS Systems Limited for the full purchase price in order to fund the acquisition. The loan has a variable interest rate of GBP LIBOR plus 3.00% per annum, which will reset semi-annually with accrued interest payments due on June 1 and December 1 each year.

Going concern

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 from the date of approval of the financial statements. On this basis, the directors consider it appropriate for the financial information to be prepared on a going concern basis.

Directors' report for the year ended 30 September 2011 (continued)

Results and dividends

The company's result for the financial year is shown on page 6. The directors do not recommend the payment of a dividend (2010: £nil).

Principal risks and uncertainties

The principal risk for the company is a downturn in the British Isles market for the products and services of the Parametric Technology Corporation Group. From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Parametric Technology Corporation Group, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk, liquidity risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects of these risks on the performance of the company.

Price risk The Parametric Technology Corporation Group seeks to continually modify and enhance the company's products to keep pace with changing technology and address customers' needs; any failure to do so could reduce demand for the company's products.

Credit risk Policies are implemented by the company's finance department to carefully monitor such risk via credit checking and no material bad debts were incurred during the year.

Liquidity risk The ultimate parent company, Parametric Technology Corporation, continues to provide financial support to ensure the company is able to meet all of its financial obligations.

Interest rate cash flow risk The company has no debt outside of the Parametric Technology Corporation Group of companies. The company has no interest bearing debt as of 30 September 2011 (2010: £nil).

The company does not use derivative financial instruments and as such no hedge accounting is applied.

Directors' report for the year ended 30 September 2011 (continued)

Research and development

The company carries out research and development activities, including developing new releases of our software that work together in a more integrated fashion and that include functionality enhancements desired by our customers. This is carried out under the guidance of its ultimate parent company, Parametric Technology Corporation. Research and development costs expensed for the year appear in note 3 to the financial statements.

Directors

The directors of the company during the year to 30 September 2011 and up to the date of signing of the financial statements are as follows:

C Dunn
P Heck

Statement of directors' responsibilities

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 prepared 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:

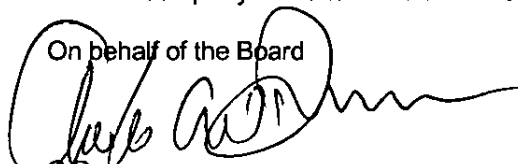
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Statement on disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- 1) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware,
- 2) each director has taken all the steps that ought to have been taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

C Dunn
Director
8 February 2012

Independent auditors' report to the members of Parametric Technology (UK) Limited

We have audited the financial statements of Parametric Technology (UK) Limited for the year ended 30 September 2011 which comprise the Profit and loss account, the Balance sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its loss 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Parametric Technology (UK) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Sam Taylor (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

20 February 2012

Profit and loss account for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Turnover	2	16,406	15,426
Cost of sales		(3,920)	(3,608)
Gross profit		12,486	11,818
Administrative expenses		(18,766)	(18,648)
Other operating income		6,142	5,839
Operating loss	3	(138)	(991)
Interest receivable and similar income	4	5	13
Interest payable and similar charges	5	-	(103)
Loss on ordinary activities before taxation		(133)	(1,081)
Tax credit/(charge) on loss on ordinary activities	8	63	(382)
Loss for the financial year	17	(70)	(1,463)

All results derive from continuing operations

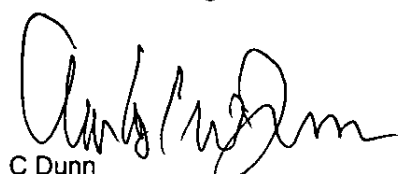
The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents

Balance sheet as at 30 September 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	451	591
		451	591
Current assets			
Debtors amounts falling due within one year	11	4,585	5,827
Debtors amounts falling due after more than one year	11	298	278
Cash at bank and in hand		468	326
		5,351	6,431
Creditors: amounts falling due within one year	12	(6,404)	(6,763)
Net current liabilities		(1,053)	(332)
Total assets less current liabilities		(602)	259
Provisions for liabilities and charges	13	(145)	(125)
Net (liabilities)/ assets		(747)	134
Capital and reserves			
Called-up share capital	16	138	138
Share premium account	17	27,331	27,331
Other reserves	17	15	826
Profit and loss account	17	(28,231)	(28,161)
Total equity shareholders' (deficit)/ funds	18	(747)	134

The financial statements on pages 6 to 20 were approved by the board of directors on 31st January 2012 and were signed on its behalf by



C Dunn
Director

Registered number 02513030

Notes to the financial statements for the year ended 30 September 2011

1 Principal accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

Going concern

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 from the date of approval of these financial statements. On this basis, the directors consider it appropriate for the financial information to be prepared on a going concern basis.

Cash flow statement and related party transactions

The company is exempt from the requirements of FRS 1 'cash flow statements (revised 1996)' to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Parametric Technology Corporation whose consolidated financial statements, which include the company's financial statements, are publicly available.

The company is also exempt under the terms of paragraph 3(c) FRS 8 'related party disclosures' from disclosing related party transactions with entities that are part of the Parametric Technology Corporation Group.

Turnover

Turnover is derived from the licensing of product lifecycle management (PLM) software products and from service revenue consisting of training, consulting and maintenance. License revenue is recognised upon contract execution, provided all shipment obligations have been met, fees are fixed or determinable and collection is probable. Turnover from software maintenance contracts and royalties is recognised monthly over the contract period. Turnover from consulting and training is recognised upon performance. Turnover is stated net of value added tax and trade discounts.

Accrued income

Revenue that is due on services rendered but not billed is recognised within the same accounting period in which the cost of providing that service is also recognised, and is included in accrued income.

Deferred income

The group undertakes to maintain customers' software under maintenance contracts on which the company invoices in advance. The income is recognised as turnover on a straight line basis over the life of the contract. Maintenance costs are expensed as incurred.

Other operating income

Other operating income includes 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 on behalf of other group companies.

Notes to the financial statements for the year ended 30 September 2011 (continued)

1 Principal accounting policies (continued)

Goodwill

Goodwill represents the difference between the fair value of assets acquired and the fair value of consideration paid. Goodwill is capitalised and amortised over the period in which benefit is to be gained from the acquisition. The amortisation period used for goodwill arising on acquisitions made since the introduction of FRS 10 – 'goodwill and intangible assets' is 5 years. Prior to the issue of FRS 10, goodwill was written off to reserves. No prior year adjustment regarding goodwill written off to reserves in prior years of £15.0 million has been made. The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. The cost of tangible fixed assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, which are principally as follows:

Leasehold improvements	Over the lease term
Fixtures and fittings	3 years

Leased assets

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

Provisions

A provision is recognised in the balance sheet when the company has a present obligation as a result of an event prior to the closing date and when an outflow of resources embodying economic benefits that can be reliably measured becomes probable. Provisions are discounted when the impact of the time value of money is considered material.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date. Exchange differences are taken to the profit and loss account in the period in which they arise.

Notes to the financial statements for the year ended 30 September 2011 (continued)

1 Principal accounting policies (continued)

Pension costs

The company operates a number of defined contribution pension schemes. The assets of the schemes are held in independently administered funds. The company's contributions to the defined contribution schemes are charged to the profit and loss account as they fall due (Note 20).

Research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

Share based payments

The Parametric Technology Corporation group issues equity-settled share based payments to certain employees. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on estimates of shares that will eventually vest. At each balance sheet date, the company revises its estimates of the number of equity settled share based payments that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2 Turnover

	2011	2010
	£'000	£'000
Licence revenue	3,539	2,093
Maintenance revenue	9,518	9,938
Training and consulting revenue	3,349	3,395
	16,406	15,426

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

Notes to the financial statements for the year ended 30 September 2011 (continued)

3 Operating loss

	2011 £'000	2010 £'000
Operating loss is stated after charging/(crediting)		
Depreciation of tangible assets	230	187
Operating lease rentals		
- plant and machinery	36	50
- other	725	714
Research and development	4,953	4,570
Provision for onerous lease (note 13)	99	(4)
Net exchange difference on foreign currency	18	(42)
Services provided by the company's auditor:		
- Fees payable to the company's auditors for the audit	89	81
Fees payable to the company's auditors for other services		
- Taxation services	8	8

4 Interest receivable and similar income

	2011 £'000	2010 £'000
Other interest receivable	5	13

5 Interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable to group undertakings	-	103

Notes to the financial statements for the year ended 30 September 2011 (continued)

6 Staff numbers and costs

The average monthly number of employees of the company during the year (including directors) was

	2011	2010
	Number	Number
Sales	39	43
General administration	11	12
Support services	56	56
Technical development	63	58
	169	169

The aggregate payroll costs were as follows

	2011	2010
	£'000	£'000
Wages and salaries	10,418	11,070
Social security costs	1,232	1,110
Stock based compensation (note 19)	608	1,022
Other pension costs (note 20)	402	406
	12,660	13,608

7 Directors' emoluments

No directors are remunerated for their services as directors of Parametric Technology (UK) Limited (2010 £nil). No directors were entitled to retirement benefits under any pension scheme at 30 September 2011 (2010 none). The directors are employed by the group and their services to the company are incidental. Two directors (2010 four) exercised share options during the year.

Notes to the financial statements for the year ended 30 September 2011 (continued)

8 Tax credit/(charge) on loss on ordinary activities

	2011 £'000	2010 £'000
Current tax:		
United Kingdom corporation tax on loss for the year	-	-
Adjustments in respect of previous years	(63)	382
Tax credit/(charge) on loss on ordinary activities	(63)	382

The current tax credit of £63,000 (2010 charge of £382,000) relates to adjustments of losses surrendered via group relief in prior years

Factors affecting tax in the current year and prior year

The tax assessed for the year is lower (2010 higher) than the income before tax multiplied by the standard rate of corporation tax in the UK of 27% (2010 28%). The differences are explained below

	2011 £'000	2010 £'000
Loss on ordinary activities before taxation	(133)	(1,081)
Loss on ordinary activities multiplied by standard rate in the UK of 27% (2010 28%)	(36)	(303)
Effects of:		
Expenses not deductible for tax purposes	12	55
Other permanent differences	(80)	(55)
Accelerated capital allowances and other timing differences	104	303
Adjustments in respect of previous years	(63)	382
Total current tax (credit)/charge	(63)	382

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the company's profits for this accounting period are taxed at a blended rate of 27%.

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011 which has reduced the unrecognised deferred tax asset disclosed in note 14 by £449,000.

Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these are applied to the deferred tax balance at the balance sheet date, would be to further reduce the unrecognised deferred tax asset by an additional £898,000.

Notes to the financial statements for the year ended 30 September 2011 (continued)

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 October 2010 and 30 September 2011	6,191
Aggregate amortisation	
At 1 October 2010 and 30 September 2011	(6,191)
Net book value	
At 30 September 2011 and 30 September 2010	-

10 Tangible fixed assets

	Leasehold improvements £'000	Fixtures and Fittings £'000	Fixed assets in progress £'000	Total £'000
Cost				
At 1 October 2010	172	796	256	1,224
Additions	86	46	468	600
Transfers		175	(175)	-
Intra-group transfers	-	-	(510)	(510)
At 30 September 2011	258	1,017	39	1,314
Accumulated depreciation				
At 1 October 2010	99	534	-	633
Charge for the year	51	179	-	230
At 30 September 2011	150	713	-	863
Net book value				
At 30 September 2011	108	304	39	451
At 30 September 2010	73	262	256	591

The company is responsible for centralised European hardware purchasing. Fixed assets in progress are hardware assets purchased by the company awaiting allocation. No depreciation is recorded with respect to fixed assets in progress until the assets are allocated and therefore put to use. As at 30 September 2011, 175,000 of the assets purchased were allocated to UK employees (Transfers) and 510,000 of the assets were allocated at cost to other Parametric group companies (Intra-group transfers). As at 30 September 2011, 38,000 of the 39,000 balance in fixed assets in progress relates to assets purchased during September 2011.

Notes to the financial statements for the year ended 30 September 2011 (continued)

11 Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year:		
Trade debtors	2,801	1,892
Amounts owed by group undertakings	1,459	3,400
Other debtors	8	3
Prepayments and accrued income	317	532
	4,585	5,827
Amounts falling due after more than one year:		
Other debtors	298	278

Amounts owed by group undertakings relate to the recharge of costs borne by the company on behalf of other group entities. They are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	364	34
Amounts owed to group undertakings	137	723
Taxation and social security	638	737
Accruals and deferred income	5,265	5,269
	6,404	6,763

Amounts owed to group undertakings relate to the recharge of costs borne by other group entities on behalf of the company. They are unsecured, interest free and payable on demand.

13 Provisions for liabilities and charges

	Facility Restoration £'000	Onerous lease £'000	Total
At 1 October 2010	117	8	125
(Credit)/Charge to profit and loss account (note 3)	(23)	99	76
Utilised during the year	(22)	(34)	(56)
At 30 September 2011	72	73	145

Provision has been made for future restoration costs of leased properties.

Provision has been made for the expected future shortfall of rental receipts against payments due on a lease of a property not occupied by the company. The provision has not been discounted.

Notes to the financial statements for the year ended 30 September 2011 (continued)

14 Deferred tax

The unrecognised deferred taxation asset is as follows

	2011 £'000
Capital allowances in excess of depreciation	(1,619)
Other short term timing differences	(31)
Losses	(9,578)
Total deferred tax asset not recognised	(11,228)
1 October	(12,016)
Movement on unrecognised deferred tax in the year	788
At 30 September	(11,228)

In the directors' opinion it is uncertain as to when the deferred tax asset will crystallise and accordingly it has not been recognised

15 Financial commitments

As at 30 September 2011 the company had annual commitments under non-cancellable operating lease agreements expiring as follows

	2011			2010		
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000	Other £'000	Total £'000
Commitments expiring						
Within 1 year	178	10	188	549	30	579
Within 2 to 5 years	653	10	663	224	8	232
Total	831	20	851	773	38	811

16 Called-up share capital

	2011 £'000	2010 £'000
Authorised:		
500,000 (2010 500,000) ordinary shares of £1 each	500	500
Allotted and fully paid		
138,185 (2010 138,185) ordinary shares of £1 each	138	138

Notes to the financial statements for the year ended 30 September 2011 (continued)

17 Reserves

	Profit and loss account £'000	Other Reserves £'000	Share Premium Account £'000
As at 1 October 2010	(28,161)	826	27,331
Loss for the financial year	(70)	-	-
Stock based compensation (note 19)	-	(811)	-
As at 30 September 2011	(28,231)	15	27,331

Other reserves are in relation to the equity incentive plan outlined in note 19

18 Reconciliation of movements in total shareholders' fund

	2011 £'000	2010 £'000
Loss for the financial year	(70)	(1,463)
Stock based compensation	(811)	(293)
Net proceeds of issue of ordinary share capital	-	13,000
Net (decrease)/increase in shareholder's funds	(881)	11,244
Shareholders' funds/deficit at 1 October	134	(11,110)
Shareholders' (deficit)/funds at 30 September	(747)	134

19 Equity incentive plan

The 2000 Equity Incentive Plan (2000 Plan) of the ultimate holding company, Parametric Technology Corporation provides for the grants of non qualified and incentive stock options, common stock, restricted stock, restricted stock units and stock appreciation rights to its employees, directors, officers and consultants. The United Kingdom employees participate in this plan.

The company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. That cost is recognised over the period during which an employee is required to provide service in exchange for the award.

Until 2005, the company generally granted stock options. For those options, the option exercise price was typically the fair market value at the date of grant, and they generally vested over four years and expire ten years from the date of grant. The fair value of options was estimated at the date of grant using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. No stock options have been granted since 2005 to United Kingdom employees.

Notes to the financial statements for the year ended 30 September 2011 (continued)

19 Equity incentive plan (continued)

A reconciliation of option movements over the year to 30 September 2011 is shown below

	2011		2010	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at 1 October	81,665	\$ 16.00	152,305	\$ 15.91
Granted	2,629	\$ 6.16	-	\$ -
Transfers out	(4,000)	\$ (20.75)	(4,200)	\$ (16.91)
Exercised	(24,172)	\$ (15.36)	(37,690)	\$ (9.80)
Forfeited	(3,800)	\$ (23.96)	(28,750)	\$ (23.50)
Outstanding at 30 September	52,322	\$ 14.87	81,665	\$ 16.00
Exercisable at 30 September	52,322	\$ 15.18	81,665	\$ 16.00

Note - the weighted average exercise prices are in US Dollar (exchange rate of 1.6047)

Information for stock options outstanding at 30 September 2011 is shown below

	2011			2010		
Range of exercise prices	Weighted average exercises price	Number of shares	Weighted average remaining contractual life	Weighted average exercises price	Number of shares	Weighted average remaining contractual life
\$5.94 - \$6.43	\$ 6.16	2,629	4.09	\$ 8.46	24,795	2.27
\$7.75 - \$9.75	\$ 8.51	16,823	1.31	\$ 19.29	56,870	1.53
\$11.45 - \$20.75	\$ 18.82	32,870	0.66	\$ -	0	-
\$5.94 - \$20.75		52,322			81,665	

Note - the weighted averaged exercise prices are in US Dollars (exchange rate of 1.6047)

The weighted average share price during the year for options exercised over the year was \$14.87 (2010 \$16). The total charge for the year relating to stock option employee share based payment plans was £nil (2010 £nil), all of which related to equity-settled share based payment transactions.

Restricted Stock Units

Since 2005, the company has awarded restricted stock units as the principal equity incentive awards for United Kingdom employees. Each restricted stock unit represents the contingent right to receive one share of Parametric Technology Corporation common stock. The fair value of restricted stock units is based on the fair market value of Parametric Technology Corporation stock on the date of grant, and they are generally vested over a three year period.

The fair value of restricted stock units granted in the year was \$1.1 million (2010 \$1.5 million).

Notes to the financial statements for the year ended 30 September 2011 (continued)

19 Equity incentive plan (continued)

A reconciliation of restricted stock unit movements over the year to 30 September 2011 is shown below

	2011		2010	
	Shares	Weighted average grant date price	Shares	Weighted average grant date price
Outstanding at 1 October	210,802	\$ 14.37	259,965	\$ 14.07
Granted	51,204	\$ 22.25	93,233	\$ 16.14
Transfers in	-	\$ -	249	\$ 11.19
Transfers out	(33,375)	\$ (13.56)	(3,348)	\$ (13.55)
Released	(104,846)	\$ (14.80)	(129,623)	\$ (15.36)
Forfeited	(14,369)	\$ (14.30)	(9,674)	\$ (10.22)
Outstanding at 30 September	109,416	\$ 18.03	210,802	\$ 14.37

Note - the weighted average grant date prices are in US Dollar (exchange rate of 1.6047)

The total charge for the year relating to employee restricted stock-based compensation was £607,607 (2010 £1,022,000), all of which related to equity-settled share-based payment transactions

20 Pension commitments

The company operates a number of defined contribution pension schemes. The assets of the schemes are held in independently administered funds. The contributions to the schemes payable by the company for the year were £402,000 (2010 £406,000). The contributions outstanding as at the balance sheet date were £48,000 (2010 £50,000).

21 Contingent liabilities

The company has no contingent liabilities at 30 September 2011 (2010 £nil).

22 Parent undertakings and ultimate controlling party

The company's immediate parent company at 30 September 2011 was Parametric Holdings (UK) Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and the parent of the smallest and 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 these consolidated financial statements can be obtained from

Parametric Technology (UK) Limited
1st Floor, The Hub, IQ Business Park, Fowler Avenue
Farnborough
GU14 7JF

Parametric Technology Corporation is the ultimate controlling party

23 Post balance sheet events

On October 1, 2011, the company acquired the trade and net assets of MKS Systems Limited for approximately £12,14 Million. The net assets acquired are set out below:

	£'000
Tangible Fixed assets	47
Investment in MKS Denmark	13
Debtors	1,321
Creditors	(1,520)
Cash at bank	228
Net assets	89
Goodwill	12,052
Consideration	12,141

The company entered into a ten year loan agreement with MKS Systems Limited for the full purchase price in order to fund the acquisition. The loan has a variable interest rate of GBP LIBOR plus 3.00% per annum, which will reset semi-annually with accrued interest payments due on June 1 and December 1 each year.