

PARAMETRIC TECHNOLOGY (UK) LIMITED
(Registered Number: 2513030)

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1994



PARAMETRIC TECHNOLOGY (UK) LIMITED

DIRECTORS' REPORT

The directors of the company present their annual report and the audited accounts for the year ended 30 September 1994.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity during the year was 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.

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 £226,577 (1993: £130,431). The directors do not recommend the payment of a dividend and the resulting profit has therefore been transferred to reserves.

FIXED ASSETS

Details of movements in tangible fixed assets are given in note 8 to the accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who have served during the year are as follows:

SC Walske (resigned 1 June 1994)
MJ Gallagher (resigned 30 June 1995)
JD McMahon (resigned 1 June 1994)
KH Tyrrell (appointed 1 June 1994, resigned 30 June 1995)
ML Durcan (appointed 1 June 1994)
JF Kelliher (appointed 1 July 1995)
CR Harrison (appointed 1 July 1995)

No director had any beneficial interest in the share capital of the company.

PARAMETRIC TECHNOLOGY (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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, Price Waterhouse, have indicated their willingness to continue in office and a resolution proposing their reappointment will be submitted at the annual general meeting.

By Order of the Board



ML Durcan
Director

19 July 1995

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF PARAMETRIC TECHNOLOGY (UK) LIMITED

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 September 1994 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

19 July 1995

PARAMETRIC TECHNOLOGY (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1994**

	<u>1994</u> £	<u>1993</u> £
TURNOVER (Note 2)	7,964,303	2,733,752
Cost of Sales	(2,865,112)	-
	<hr/>	<hr/>
Gross Profit	5,099,191	2,733,752
Administrative expenses	<u>(4,687,317)</u>	<u>(2,520,874)</u>
OPERATING PROFIT	411,874	212,878
Interest receivable (Note 3)	12,204	6,199
Interest payable (Note 4)	<u>(37,747)</u>	<u>(435)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 5)	386,331	218,642
Tax on profit on ordinary activities (Note 7)	<u>(159,754)</u>	<u>(88,211)</u>
PROFIT FOR THE FINANCIAL YEAR	226,577	130,431
Retained profit brought forward	<u>213,796</u>	<u>83,365</u>
RETAINED PROFIT CARRIED FORWARD	<u>440,373</u>	<u>213,796</u>

There were no recognised gains or losses other than the profit for the year.

The notes on pages 7 to 14 form part of these accounts.

PARAMETRIC TECHNOLOGY (UK) LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 1994

	<u>1994</u>		<u>1993</u>	
	£	£	£	£
FIXED ASSETS				
Tangible assets (Note 8)		396,601		337,542
CURRENT ASSETS				
Debtors (Note 9)	2,392,691		298,970	
Cash at bank and in hand	424,877		84,607	
	<u>2,817,568</u>		<u>383,577</u>	
CREDITORS - amounts falling due within one year (Note 10)	(1,869,906)		(485,774)	
	<u></u>		<u></u>	
NET CURRENT ASSETS/(LIABILITIES)		947,662		(102,197)
		<u></u>		<u></u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,344,263		235,345
CREDITORS - amounts falling due after more than one year (Note 11)		(892,782)		-
Deferred Taxation (Note 12)		(1,108)		(11,549)
		<u></u>		<u></u>
NET ASSETS		450,373		223,796
		<u></u>		<u></u>
CAPITAL AND RESERVES				
Called up share capital (Note 13)		10,000		10,000
Profit and loss account		440,373		213,796
		<u></u>		<u></u>
SHAREHOLDERS' FUNDS (Note 15)		450,373		223,796
		<u></u>		<u></u>

Approved by the Board of Directors on 19 July 1995.

Martha L. Durcan
ML Durcan

The notes on pages 7 to 14 form part of these accounts.

PARAMETRIC TECHNOLOGY (UK) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1994

	<u>1994</u>		<u>1993</u>	
	£	£	£	£
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES (Note 17)		(155,282)		208,346
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	12,204		6,199	
Interest paid	(37,747)		(435)	
	<u> </u>		<u> </u>	
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(25,543)		5,764
TAXATION				
Corporation tax paid	(106,049)		(34,629)	
Tax paid		(106,049)		(34,629)
INVESTING ACTIVITIES				
Purchase of tangible fixed assets	(265,638)		(308,884)	
Sales of tangible fixed assets	<u> </u>		<u>900</u>	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(265,638)</u>		<u>(307,984)</u>
NET CASH OUTFLOW BEFORE FINANCING		(552,512)		(128,503)
FINANCING				
Loan from Parent	<u>892,782</u>		-	
NET CASH INFLOW FROM FINANCING (Note 20)		892,782		-
		<u> </u>		<u> </u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (Note 19)		<u>340,270</u>		<u>(128,503)</u>

The notes on pages 7 to 14 form part of these accounts.

PARAMETRIC TECHNOLOGY (UK) LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1994

1 ACCOUNTING POLICIES

(1) Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Turnover

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

(3) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost. 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%

(4) Operating Leases

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

(5) Deferred Taxation

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

(6) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies 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.

PARAMETRIC TECHNOLOGY (UK) LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1994 (Continued)

1 ACCOUNTING POLICIES (Continued)

(7) 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

	<u>1994</u>	<u>1993</u>
	£	£
The analysis of turnover is as follows:		
License revenue	5,734,156	-
Maintenance revenue	66,416	-
Management fee income from parent undertaking	1,053,815	2,376,582
Training and consulting revenue	<u>1,109,916</u>	<u>357,170</u>
	<u>7,964,303</u>	<u>2,733,752</u>

All training and consulting revenue was derived from customers in the United Kingdom.

3 INTEREST RECEIVABLE

	<u>1994</u>	<u>1993</u>
	£	£
Bank interest	12,204	6,199
	<u>12,204</u>	<u>6,199</u>

4 INTEREST PAYABLE

	<u>1994</u>	<u>1993</u>
	£	£
Interest payable to group undertakings	37,747	-
On bank overdraft repayable within 5 days	-	435
	<u>37,747</u>	<u>435</u>

PARAMETRIC TECHNOLOGY (UK) LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1994 (Continued)

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1994</u>	<u>1993</u>
	£	£
Profit on ordinary activities before taxation is stated after charging the following:		
Directors' remuneration	NIL	NIL
Auditors' remuneration:		
Audit fees and expenses	5,525	3,500
Other fees	2,500	-
Depreciation of tangible assets	183,980	93,467
Loss on disposal of fixed assets	22,599	29,715
Operating lease rentals		
Land and Buildings	228,542	120,472
Vehicles	258,707	100,400
Other equipment	16,863	52,892
	<u> </u>	<u> </u>

6 STAFF NUMBER AND COSTS

	<u>1994</u>	<u>1993</u>
	£	£
The average number of employees of the company (excluding directors) during the period was:	60	33
	<u> </u>	<u> </u>
The aggregate payroll costs were as follows:		
	<u>1994</u>	<u>1993</u>
	£	£
Wages and salaries	2,121,512	1,103,126
Social security costs	201,047	111,175
Other pension costs	91,964	40,414
Other costs	<u>44,183</u>	<u>10,854</u>
	<u>2,458,706</u>	<u>1,265,569</u>

PARAMETRIC TECHNOLOGY (UK) LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1994 (Continued)

7 TAXATION

The taxation charge, based on the profit for the year, comprises:

	<u>1994</u> £	<u>1993</u> £
UK corporation tax at 33%	168,000	76,662
Deferred tax charge	(10,441)	11,549
Prior year adjustment	<u>2,195</u>	<u>-</u>
	<u>159,754</u>	<u>88,211</u>

8 TANGIBLE FIXED ASSETS

	Leasehold improvements	Office equipment	Computer hardware	Computer software	Total
	£	£	£	£	£
Cost					
At 1 October 1993	93,193	103,101	257,553	10,954	464,801
Additions	50,070	41,950	165,005	8,613	265,638
Disposals	(32,167)	-	-	-	(32,167)
	<u>111,096</u>	<u>145,051</u>	<u>422,558</u>	<u>19,567</u>	<u>698,272</u>
At 30 September 1994	<u>111,096</u>	<u>145,051</u>	<u>422,558</u>	<u>19,567</u>	<u>698,272</u>
Depreciation					
At 1 October 1993	8,252	20,188	96,232	2,587	127,259
Charge for year	22,391	45,470	111,105	5,014	183,980
Disposals	(9,568)	-	-	-	(9,568)
	<u>21,075</u>	<u>65,658</u>	<u>207,337</u>	<u>7,601</u>	<u>301,671</u>
At 30 September 1994	<u>21,075</u>	<u>65,658</u>	<u>207,337</u>	<u>7,601</u>	<u>301,671</u>
Net Book Amount					
At 30 September 1994	<u>90,021</u>	<u>79,393</u>	<u>215,221</u>	<u>11,966</u>	<u>396,601</u>
At 30 September 1993	<u>84,941</u>	<u>82,913</u>	<u>161,321</u>	<u>8,367</u>	<u>337,542</u>

PARAMETRIC TECHNOLOGY (UK) LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1994 (Continued)

9 DEBTORS

	<u>1994</u>	<u>1993</u>
	£	£
Trade debtors	2,036,387	66,333
Amounts owed by group undertakings	207,283	61,556
Other debtors	14,791	66,282
Prepayments and accrued income	21,958	17,752
Deposits	112,272	87,047
	<hr/>	<hr/>
	2,392,691	298,970
	<hr/>	<hr/>

Deposits include £112,272 (1993 £86,413) in respect of property rental deposits recoverable after more than one year.

10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1994</u>	<u>1993</u>
	£	£
Trade creditors	135,158	168,275
Amounts owed to ultimate parent undertaking	761,211	-
Corporation tax	164,108	99,962
Other taxes and social security	337,279	35,792
Accruals and deferred income	472,150	181,745
	<hr/>	<hr/>
	1,869,906	485,774
	<hr/>	<hr/>

11 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1994</u>	<u>1993</u>
	£	£
Loan from immediate parent undertaking	453,072	-
Loan from ultimate parent undertaking	439,710	-
	<hr/>	<hr/>
	892,782	-
	<hr/>	<hr/>

PARAMETRIC TECHNOLOGY (UK) LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1994 (Continued)

12 DEFERRED TAXATION

Deferred taxation provided for in the accounts is as follows:

	<u>1994</u>	<u>1993</u>
	£	£
Capital allowances in advance of depreciation	<u>1,108</u>	<u>11,549</u>

13 CALLED UP SHARE CAPITAL

	<u>1994</u>	<u>1993</u>
	£	£
Authorised:		
100,000 Ordinary shares of £1 each	100,000	100,000
	<u>=====</u>	<u>=====</u>
Allotted, issued and fully paid:		
10,000 Ordinary shares of £1 each	10,000	10,000
	<u>=====</u>	<u>=====</u>

14 LEASING COMMITMENTS

Payment under non-cancellable operating leases which are committed to be paid in the next financial year are as follows:

	<u>1994</u>			<u>1993</u>		
	<u>Land & Buildings</u>	<u>Other</u>	<u>Total</u>	<u>Land & Buildings</u>	<u>Other</u>	<u>Total</u>
	£	£	£	£	£	£
Commitments expiring:						
Within one year	-	33,985	33,985	-	42,261	42,261
Within 2 to 5 years	<u>233,896</u>	<u>232,562</u>	<u>466,458</u>	<u>223,179</u>	<u>96,908</u>	<u>320,087</u>
Total	<u>233,896</u>	<u>266,547</u>	<u>500,443</u>	<u>223,179</u>	<u>139,169</u>	<u>362,348</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

PARAMETRIC TECHNOLOGY (UK) LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1994 (Continued)

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1994</u>	<u>1993</u>
	£	£
Profit for the financial year	226,577	130,431
Opening Shareholders' funds	<u>223,796</u>	<u>93,365</u>
Closing Shareholders' funds	<u>450,373</u>	<u>223,796</u>

16 PARENT UNDERTAKINGS

The ultimate parent undertaking is Parametric Technology Corporation, and the immediate parent undertaking is Parametric Holdings Inc. both of which are incorporated in the United States of America. Consolidated accounts for Parametric Technology Corporation and Parametric Holdings Inc. can be obtained from 128 Technology Drive, Waltham, Massachusetts 02154.

17 RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	<u>1994</u>	<u>1993</u>
	£	£
Operating profit	411,874	212,878
Depreciation charge	183,980	93,467
Loss on disposal of fixed assets	22,599	29,715
Increase in debtors	(2,093,721)	(204,140)
Increase in creditors	<u>1,319,986</u>	<u>76,426</u>
Net cash (outflow)/inflow from operating activities	<u>(155,282)</u>	<u>208,346</u>

18 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	£
Balance at 1 October 1993	84,607
Net cash inflow (Note 19)	<u>340,270</u>
Balance at 30 September 1994	<u>424,877</u>

PARAMETRIC TECHNOLOGY (UK) LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1994 (Continued)

**19 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS
AS SHOWN IN THE BALANCE SHEET**

	<u>1994</u>	<u>1993</u>	<u>Change in</u> <u>year</u>
	£	£	£
Cash at bank and in hand	424,877	84,607	340,270
	<hr/>	<hr/>	<hr/>
	424,877	84,607	340,270
	<hr/>	<hr/>	<hr/>

20 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	£
Balance at 1 October 1993	-
Loans from parent undertakings	<u>892,782</u>
Balance at 30 September 1994	<u>892,782</u>