

Cadcentre Limited

Financial Statements 31 March 1997
together with directors' and auditors' reports

Registered number: 803680



Directors' report

For the year ended 31 March 1997

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 March 1997.

Directors' responsibilities

Company law requires the directors to prepare financial statements 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 for that period. In preparing those financial statements, the directors are required to:

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

Principal activities and business review

The company has continued to be involved in the marketing and development of computer software for engineering and related applications.

The company made a profit for the year after taxation of £1,128,000 (1996 - £1,225,000). Sales have increased to £14,655,000 (1996 - £12,852,000) with exports representing 76% of the business (1996 - 78%).

Results and dividends

The company's results, proposed dividends and transfers to reserves are as follows:

	£000
Retained profit, at 31 March 1996	1,653
Profit for the year after taxation	1,128
Ordinary dividends proposed	
- final for year ended 31 March 1997 of 76.36p per share	(1,000)
Retained profit, at 31 March 1997	<hr/> 1,781 <hr/>

Directors' report (continued)

Research and development

The company continues an active programme of research and development and all costs are expensed as incurred. The research and development programme covers the updating and extension of the company's range of products.

Intellectual property

The company owns intellectual property both in its software tools and in the products derived from them. This includes the product known as PDMS. The directors consider these to be of significant value to the business, but that it is not appropriate to ascribe a monetary value to them in the financial statements.

Directors and their interests

The directors who served during the year are as shown below.

R A King (non-executive Chairman)

J R Dersley

J C Gray

R Longdon

R J Lee

Directors and their interests (continued)

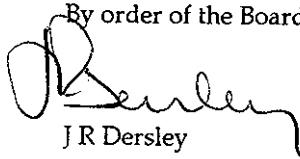
All directors holding office at the year end are also directors of the holding company (Cadcentre Group plc) and their interests in the shares of group companies are disclosed in the financial statements of that company.

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

High Cross
Madingley Road
Cambridge

By order of the Board,



J R Dersley
Secretary

23 January 1998

Auditors' report

Cambridge

To the Shareholders of Cadcentre Limited:

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1, 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 circumstances of the company and of the group, 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 affairs of the company as at 31 March 1997 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Betjeman House
104 Hills Road
Cambridge
CB2 1LH

23 January 1998

Profit and loss account

For the year ended 31 March 1997

	Notes	1997 £000	1996 £000
Turnover	2	14,655	12,852
Cost of sales		(7,761)	(6,498)
Gross profit		6,894	6,354
Other operating expenses	3	(5,126)	(4,606)
Operating profit		1,768	1,748
Interest receivable	4	44	32
Interest payable	5	(159)	(155)
Profit on ordinary activities before taxation	6	1,653	1,625
Tax on profit on ordinary activities	8	(525)	(400)
Profit on ordinary activities after taxation, being profit for the financial year		1,128	1,225
Dividends proposed	9	(1,000)	(700)
Retained profit for the year		128	525
Retained profit, beginning of year	18	1,653	1,128
Retained profit, end of year	18	1,781	1,653

All amounts relate to continuing operations.

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in either year other than the result for each financial year.

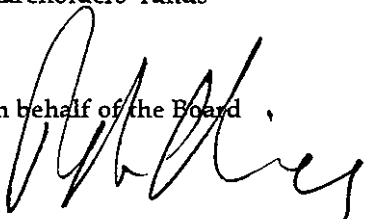
Balance sheet

31 March 1997

	Notes	1997 £000	1996 £000
Fixed assets			
Tangible assets	10	1,403	1,207
Investments	11	531	344
		<u>1,934</u>	<u>1,551</u>
Current assets			
Cash		576	-
Debtors	12	6,646	7,654
		<u>7,222</u>	<u>7,654</u>
Creditors: Amounts falling due within one year	13	(5,842)	(5,077)
Net current assets		<u>1,380</u>	<u>2,577</u>
Total assets less current liabilities		<u>3,314</u>	<u>4,128</u>
Creditors: Amounts falling due after more than one year	14	(124)	(1,066)
Net assets		<u>3,190</u>	<u>3,062</u>
Capital and reserves			
Called-up share capital	16	1,310	1,310
Share premium account	18	99	99
Profit and loss account	18	1,781	1,653
Equity shareholders' funds		<u>3,190</u>	<u>3,062</u>

Signed on behalf of the Board ,

R A King



) Directors

J C Gray



23 January 1998

The accompanying notes are an integral part of this balance sheet.

Notes to financial statements

31 March 1997

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, and the preceding year, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Research and development

Research and development expenditure is written off in the year of expenditure.

c) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for permanent diminution in value.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	-	24%
Office equipment	-	15%
Fixtures and fittings	-	12%
Motor vehicles	-	25%

Leasehold property is amortised on a straight-line basis over the period of the lease.

Residual value is calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

d) Investments

Fixed asset investments are shown at cost less provisions for permanent diminution in value.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advanced corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered reasonably assured.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax legislation) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

Notes to financial statements (continued)

1 Accounting policies (continued)

f) Pension costs

The company operates a defined benefit pension scheme for substantially all UK employees which is contracted out of the state scheme. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effect of variations from regular cost is spread over the expected average remaining service lives of current members of the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.

g) Foreign currency

Transactions denominated in foreign currencies are recorded at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

h) Turnover

Turnover comprises the invoiced value of initial licence fees, maintenance fees, income from consultancy and other allied services to third party customers (excluding VAT and similar taxes and trade discounts). Royalties and maintenance income are allocated to the accounting periods to which they relate.

i) Leases

Operating leases are charged on a straight line basis over the lease term.

Where fixed assets are financed by leasing arrangements, which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. 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 in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Notes to financial statements (continued)

2 Turnover

An analysis of turnover by principal geographical area is set out below:

	1997 £000	1996 £000
United Kingdom	3,539	2,835
Rest of Europe	4,040	3,857
North America	3,695	3,041
Rest of the world	3,381	3,119
	<u>14,655</u>	<u>12,852</u>

All turnover arises from a single class of business.

No further segmental analysis is given as in the opinion of the directors, disclosure of this information would be seriously prejudicial to the interests of the company.

3 Other operating expenses

	1997 £000	1996 £000
Selling costs	3,005	2,962
Administrative expenses	2,121	1,644
	<u>5,126</u>	<u>4,606</u>

During the previous year costs of £371,000 were incurred as consideration for an agreement to buy out a third party's right to receive ongoing royalties from the licensing of PDMS.

4 Interest receivable

	1997 £000	1996 £000
Intercompany interest	42	-
Bank interest	2	32
	<u>44</u>	<u>32</u>

Notes to financial statements (continued)

5 Interest payable and similar charges

	1997 £000	1996 £000
Bank interest	119	132
Finance leases	27	23
Interest due to group undertakings	13	-
	<u>159</u>	<u>155</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	1997 £000	1996 £000
Depreciation		
- tangible fixed assets owned	469	379
- tangible fixed assets held under finance leases	68	33
Auditors' remuneration		
- audit fees	30	30
- non-audit fees	44	15
Hire of motor vehicles under operating leases	367	292
Foreign exchange loss	283	5
Profit on sale of tangible fixed assets	<u>(2)</u>	<u>(2)</u>

7 Staff costs

Particulars of employees (including executive directors) are shown below.

	1997 £000	1996 £000
Wages and salaries	4,658	4,332
Social security costs	443	441
Other pension costs	481	431
	<u>5,582</u>	<u>5,204</u>

Notes to financial statements (continued)

7 Staff costs (continued)

The average monthly number of persons (including executive directors) employed by the company was as follows:

	1997 Number	1996 Number
Research, development and product support	68	67
Sales, marketing and customer support	62	58
Administration	19	19
	<u>149</u>	<u>144</u>

Directors' remuneration:

Remuneration paid to directors of the company was as follows:

	1997 £000	1996 £000
Emoluments	<u>477</u>	<u>462</u>
Emoluments of highest paid director	<u>129</u>	<u>106</u>

The highest paid director was entitled to the following additional benefit at the year end:

	1997 £000	1996 £000
Accrued pension	<u>64</u>	<u>58</u>
Number of directors in respect of whom retirement benefits are accruing under defined benefit schemes	<u>4</u>	<u>4</u>

Notes to financial statements (continued)

8 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1997 £000	1996 £000
Corporation tax	506	433
Overseas taxation	77	382
	<u>583</u>	<u>815</u>
Less relief for overseas taxation	(77)	(382)
	<u>506</u>	<u>433</u>
Adjustment of current taxation in respect of prior years	19	(33)
	<u>525</u>	<u>400</u>

9 Dividends proposed

	1997 £000	1996 £000
Final dividend for the year ended 31 March 1997 of 76.36p per share (1996 - 53.45p per share)	<u>1,000</u>	<u>700</u>

Notes to financial statements (continued)

10 Tangible fixed assets

	Computer equipment £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 April 1996	2,977	242	173	3,392
Additions	610	109	23	742
Disposals	-	(75)	(44)	(119)
At 31 March 1997	<u>3,587</u>	<u>276</u>	<u>152</u>	<u>4,015</u>
Depreciation				
At 1 April 1996	1,982	148	55	2,185
Charge for the year	472	25	40	537
Disposals	-	(75)	(35)	(110)
At 31 March 1997	<u>2,454</u>	<u>98</u>	<u>60</u>	<u>2,612</u>
Net book value				
At 31 March 1997	<u>1,133</u>	<u>178</u>	<u>92</u>	<u>1,403</u>
At 1 April 1996	<u>995</u>	<u>94</u>	<u>118</u>	<u>1,207</u>

Included in the net book value of computer equipment and motor vehicles for the company are £238,000 and £90,000 (1996 - £nil and £37,000) in respect of assets acquired under finance leases.

Notes to financial statements (continued)

11 Fixed asset investments

a) Investment in subsidiary undertakings

	£000
Cost	
At 1 April 1996	344
Additions	187
At 31 March 1997	531

At 31 March 1997 the company had the following wholly owned subsidiary undertakings:

Name of undertaking	Country of incorporation	Principal activity	Description and proportion of shares held and voting rights
Cadcentre Inc	USA	Software marketing	100% common stock of US\$1 each
Cadcentre GmbH	Germany	Software marketing	100% ordinary shares of DM50,000 each
Cadcentre East Asia Limited	Hong Kong	Non-trading	100% ordinary shares HK\$1 each
Cadcentre SA	France	Software Marketing	100% ordinary shares 200 FF each part paid
Cadcentre Property Limited	Great Britain	Holding property	100% ordinary shares of £1 each
PDMS Limited	Great Britain	Non-trading	100% ordinary shares of £1 each
Cadcentre Limited	Great Britain	Non-trading	100% ordinary shares of £1 each
Cadcentre Pension Trustee Limited	Great Britain	Trustee company	100% ordinary shares of £1 each
Isopipe Limited	Great Britain	Non-trading	100% ordinary shares of £1 each
Isopipe GB Limited	Great Britain	Non-trading	100% ordinary shares of £1 each

All subsidiaries except Isopipe GB Limited are directly owned.

b) Other participating interests, investments and loans

The company also holds an investment of £1 in Cimlinc Incorporated.

In the year ended 31 March 1984 the company received as part of the consideration for the exceptional sale of a product and rights, 100,000 shares of 1 cent each of common stock in Cimlinc Incorporated, an unlisted company incorporated in the United States. It was not practical to establish a valuation of these shares at the date of receipt which was accordingly set at a nominal valuation of £1. In the opinion of the directors based on the information supplied to them, circumstances have not changed sufficiently since then to justify a change in the valuation of these shares.

At no time has the company's interest in these shares exceeded 10% of the total equity of Cimlinc Incorporated.

Notes to financial statements (continued)

12 Debtors

	1997 £000	1996 £000
Amounts falling due within one year:		
Trade debtors	5,105	3,994
Amounts owed by group undertakings	741	3,106
Prepayments and accrued income	800	554
	<u>6,646</u>	<u>7,654</u>

13 Creditors: Amounts falling due within one year

	1997 £000	1996 £000
Obligations under finance leases	119	89
Bank loan and overdraft	-	746
Trade creditors	13	239
Amounts owed to group undertakings	1,349	373
Corporation tax payable	357	100
Social security, PAYE and VAT	211	254
Accruals and deferred income	2,793	2,576
Proposed dividend	1,000	700
	<u>5,842</u>	<u>5,077</u>

14 Creditors: Amounts falling due after more than one year

	1997 £000	1996 £000
Obligations under finance leases	124	243
Bank loan	-	650
Other creditors	-	173
	<u>124</u>	<u>1,066</u>

Notes to financial statements (continued)

14 Creditors: Amounts falling due after more than one year (continued)

Analysis of borrowings	1997 £000	1996 £000
Amounts payable		
- on demand or within 1 year	119	835
- between 1 and 2 years	124	149
- between 2 and 5 years	-	294
- 5 years or more	-	450
	<u>243</u>	<u>1,728</u>

15 Deferred taxation

	Total potential (asset) liability	
	1997 £000	1996 £000
Tax effect of timing differences due to:		
- excess of tax allowances over depreciation	(30)	(4)
- other	-	3
	<u>(30)</u>	<u>(1)</u>

No provision has been made in the financial statements of the company for the deferred tax asset in respect of the excess of depreciation over capital allowances and other timing differences.

16 Called-up share capital

	1997 £000	1996 £000
<i>Authorised</i>		
1,450,000 ordinary shares of £1 each	<u>1,450</u>	<u>1,450</u>
<i>Allotted, called-up and fully-paid</i>		
1,309,660 ordinary shares of £1 each	<u>1,310</u>	<u>1,310</u>

Notes to financial statements (continued)

17 Reconciliation of movements in shareholders' funds

	1997 £000	1996 £000
Profit for the financial year	1,128	1,225
Dividends	(1,000)	(700)
	<u>128</u>	<u>525</u>
Opening shareholders' funds	3,062	2,537
Closing shareholders' funds	<u>3,190</u>	<u>3,062</u>

18 Reserves

	Share premium account £000	Profit and loss account £000
At 1 April 1996	99	1,653
Retained profit for the year	-	128
At 31 March 1997	<u>99</u>	<u>1,781</u>

The share premium account is not distributable.

19 Guarantees and other financial commitments

a) Pension arrangements

The company operates a defined benefit pension plan providing benefits based on final pensionable pay to substantially all UK employees, including part time employees. Administration on behalf of the members is governed by Trust Deed, and the funds are held and managed by a professional investment manager who is independent of the company.

Contributions to the scheme are made in accordance with advice from an independent professionally qualified actuary at rates which are calculated to be sufficient to meet the future liabilities of the scheme. The employees' contributions are fixed as a percentage of salary, the balance being made up by the employer.

Following the management buy-out, a pension valuation was carried out as at 1 April 1996 using the projected unit method, consistent with the method used in respect of 1993. The main actuarial assumptions were that:

- salaries would increase by 7% per annum,
- pensions in payment would increase by 3% per annum, and
- the return on scheme investments would be 9% per annum.

Notes to financial statements (continued)

19 Guarantees and other financial commitments (continued)

a) Pension arrangements (continued)

The market value of the assets of the scheme was £5,703,000 and the actuarial value of the assets was sufficient to cover 99% of the benefits that had accrued to members after allowing for expected future increases in earnings. This deficit, amounting to £46,000, was provided for as at 31 March 1996, and paid during the current year.

The pension charge for the year included no variation to regular cost and amounted to £481,000 (1996 - £431,000).

b) Lease commitments

At 31 March 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997		1996	
	Motor vehicles £000	Other £000	Motor vehicles £000	Other £000
Expiring within one year	1	-	46	-
Expiring between two and five years	91	-	127	62
Expiring after five years	-	89	-	69
	<u>92</u>	<u>89</u>	<u>173</u>	<u>131</u>

c) Capital commitments

At the end of the year the company had capital commitments contracted but not provided for of £49,000 (1996 - £64,000).

20 Ultimate parent company

The company is a subsidiary undertaking of Cadcentre Group plc which is incorporated in Great Britain. The consolidated accounts of this group are available to the public and copies may be obtained from Cadcentre Limited, High Cross, Madingley Road, Cambridge.

The company is exempt under section 228(i) of the Companies Act 1985 and paragraph 21(b) of FRS 2, from the requirement to prepare consolidated financial statements and exempt, under paragraph 5(a) of FRS 1 (revised), from the requirement to prepare a cash flow statement.