

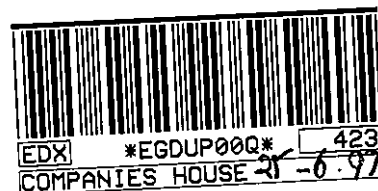


DELCAM PLC
(formerly Delcam International PLC)

Report and Financial Statements

31 December 1996

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN





REPORT AND FINANCIAL STATEMENTS 1996

CONTENTS	Page
Officers and professional advisers	1
Chairman's report	2
Directors' report	3
Statement of directors' responsibilities	5
Auditors' report	6
Consolidated profit and loss account	7
Statement of total recognised gains and losses	8
Note of historical cost profit and losses	8
Consolidated balance sheet	9
Balance sheet	10
Consolidated cash flow statement	11
Notes to the consolidated cash flow statement	12
Notes to the accounts	14



REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T R Kinsey	(Chairman, non-executive)
H R O Humphreys	(Managing Director)
E B Lambourne	(Technical Director)
C P Martell	(Managing Director, UK Division)
K Singh	(Financial Director)

SECRETARY

K Singh

REGISTERED OFFICE

Talbot Way
Small Heath Business Park
Birmingham
B10 0HJ

BANKERS

Barclays Bank PLC
PO Box No. 34
15 Colmore Row
Birmingham
B3 2BY

SOLICITORS

Wragge & Co.
55 Colmore Row
Birmingham
B3 2AS

AUDITORS

Deloitte & Touche
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

CHAIRMAN'S REPORT

Results

I am pleased to report that 1996 has been an excellent year with profit before tax at £1,036,812 increasing 162% and profit after tax at £701,088 increasing by 224% arising from sales of £13.6 million, an increase of 29% over 1995.

Dividend

I indicated in my last report that it was intended to start paying interim dividends in 1996. A dividend of 0.75p was paid and the Board proposes the payment of a final dividend of 2.5p, making 3.25p for the year.

Review

All departments contributed to the excellent 1996 result.

Tooling Services after the strong turn round in 1994 and 1995 maintained its position whilst continuing to offer important testing and demonstration facilities.

Software sales of the company increased by 37% with large increases in most of our markets. Following on their excellent performances in 1995, both North and South America made further significant progress as new opportunities were identified, more agents appointed and sales offices opened.

In the Far East we made further considerable gains and it is pleasing to report the continuing progress of our new Japanese investment. In Western Europe we increased our penetration in most markets with Italy outstanding. UK continued to benefit from the 1995 reorganisation and put in a strong performance.

To maintain our growth objectives, enhanced and new products must be offered to the market. During the year the development expenditure was increased by 18%. This represents an investment of 46% of software sales. This trend of increasing investment in future products is planned to continue with the number of staff allocated to product development due to increase by 30% by the end of 1997.

The company continues to deliver an increased range of its products under Windows NT as well as UNIX. CopyCAD was launched on the new platform during the year and it is planned to release Delcam's flagship product DUCT under Windows NT during the next 12 months. The company is investing in making its products easy to learn without reducing the strong functionality. Internationalisation is high on the agenda to allow greater penetration in non-English speaking territories.

During the year, changes in the organisation were made to come to terms with the increasing size of the company and to provide sharper management focus. Kulwant Singh, who has been secretary and chief accountant for five years has been appointed Finance Director of the parent company, which has been split into two divisions - International and UK. The International Division is responsible for the definition and development of product enhancement and new software for all our markets and their subsequent sales internationally. The UK Division pulls together and drives all the UK activities including Tooling Services, UK Sales and Technical Services and will provide a more cohesive management.

Prospects

In spite of the growth of the company in 1996, the opportunities remain considerable with the world-wide market for computer aided machining forecast to grow by more than 10% this year. A worrying feature, however, is the current strength of sterling, but provided we maintain our marketing thrust and continue to invest in product development, I shall be disappointed if we do not see further growth in profits. The Board is actively considering the accelerated development of the company by bringing in new money and we expect to extend our office and workshop facilities during the current year.

Once again, I must thank all our staff for their commitment to take the company forward, and all our advisers, particularly David Butler and Will Rogers.


T R KINSEY

Chairman

9 June 1997

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

ACTIVITIES AND BUSINESS REVIEW

The principal activities of the group are the supply of CAD/CAM systems and services for the design of products with complex shapes and their manufacture with tooling. The Chairman's report provides a detailed review of activities, development and progress of the group.

On 21 January 1997, the parent company changed its name from Delcam International PLC to Delcam PLC.

DIVIDENDS AND TRANSFERS TO RESERVES

An interim dividend of £23,235 was paid in the year (1995 - £Nil). The directors recommend the payment of a final dividend of £77,450 (1995 - £69,705), making a total for the year of £100,685 (1995 - £69,705). Profits transferred to reserves are £555,144 (1995 - £225,024).

LAND AND BUILDINGS

A valuation of the company's land and buildings was carried out on 15 April 1997 by Lambert Smith Hampton, Consultant Surveyors and Valuers, at open market value with existing use basis resulting in a surplus of £221,366 on 31 December 1996 net book value. This surplus has not been incorporated in to these financial statements as the directors do not anticipate realising the property in the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and the beneficial and family interests of those serving at the end of the year in the share of the company are as follows:

	Ordinary shares of 10p each	
	1996	1995 (or date of appointment)
T R Kinsey	21,000	21,000
H R O Humphreys	567,142	567,142
E B Lambourne	567,142	567,142
C P Martell	101,000	101,000
K Singh (appointed 5 December 1996)	47,020	47,020

EMPLOYEE INVOLVEMENT

The group has well established structures and procedures for consultation, communication and negotiation with its employees, appropriate to the company concerned. Importance is placed on this aspect of the business and all managers have a responsibility to this end.

POLICY ON PAYMENT OF CREDITORS

It is the company's practise to agree payment terms with its suppliers. Payment is made when it can be confirmed that goods and / or services have been provided in accordance with the relevant contractual conditions.



DIRECTORS' REPORT

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

K SINGH

Secretary

9 June 1997



STATEMENT OF 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 the group as at the end of the financial year and of the profit or loss of the group 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
- 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, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chartered Accountants

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham B3 2BN

Telephone: National 0121 200 2211
International + 44 121 200 2211
Fax (Gp. 3): 0121 695 5311

AUDITORS' REPORT TO THE MEMBERS OF

DELCAM PLC (formerly Delcam International PLC)

We have audited the financial statements on pages 7 to 28 which have been prepared under the accounting policies set out on pages 14 and 15.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of 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 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 and the group as at 31 December 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

10 June 1997

Chartered Accountants and Registered Auditors





CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

	Note	1996 £	1995 £
TURNOVER	2	13,579,346	10,525,701
Cost of sales		(6,225,598)	(5,524,687)
Gross profit		7,353,748	5,001,014
Distribution costs		(2,394,438)	(1,939,490)
Administrative expenses		(3,837,962)	(2,580,428)
OPERATING PROFIT	4	1,121,348	481,096
Income from interest in associates		56,595	18,752
Interest receivable	5	819	3,164
Interest payable and similar charges	6	(141,950)	(107,395)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,036,812	395,617
Tax on profit on ordinary activities	7	(335,724)	(179,168)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		701,088	216,449
Equity minority interests	19	(45,259)	78,280
PROFIT FOR THE FINANCIAL YEAR	8	655,829	294,729
Dividends	9	(100,685)	(69,705)
RETAINED PROFIT FOR THE YEAR	23	555,144	225,024

All activities derive from continuing operations.



STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 1996

	Group	
	1996	1995
	£	£
Profit attributable to members of the company	655,829	294,729
Foreign exchange translation differences on foreign currency net investment in subsidiaries and associated undertakings	(33,201)	(20,902)
Total recognised gains for the year	<u>622,628</u>	<u>273,827</u>

NOTE OF HISTORICAL COST PROFIT AND LOSSES
Year ended 31 December 1996

	1996	1995
	£	£
Profit on ordinary activities before taxation	1,036,812	395,617
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	4,517	4,517
Historical cost profit on ordinary activities before taxation	<u>1,041,329</u>	<u>400,134</u>
Historical cost profit for the year retained after taxation and dividends	<u>559,661</u>	<u>229,541</u>

CONSOLIDATED BALANCE SHEET
31 December 1996

	Note	1996	1995
		£	£
FIXED ASSETS			
Tangible assets	10	2,586,329	2,492,407
Investments	11	254,789	224,059
		<u>2,841,118</u>	<u>2,716,466</u>
CURRENT ASSETS			
Stocks	12	137,491	167,157
Debtors	13	3,578,383	2,783,027
Cash at bank and in hand		495,175	96,763
		<u>4,211,049</u>	<u>3,046,947</u>
CREDITORS: amounts falling due within one year	14	<u>(3,432,136)</u>	<u>(2,524,756)</u>
NET CURRENT ASSETS		<u>778,913</u>	<u>522,191</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,620,031</u>	<u>3,238,657</u>
CREDITORS: amounts falling due after more than one year	15	(850,299)	(965,952)
PROVISION FOR LIABILITIES AND CHARGES	17	-	16,250
DEFERRED INCOME	18	(718,191)	(775,526)
EQUITY MINORITY INTERESTS	19	<u>(110,090)</u>	<u>(73,424)</u>
		<u>1,941,451</u>	<u>1,440,005</u>
CAPITAL AND RESERVES			
Called up share capital	20	309,800	309,800
Share premium account		14,550	14,550
Revaluation reserve	21	198,769	203,286
Capital redemption reserve		75,000	75,000
Other reserves	22	(15,991)	17,210
Profit and loss account	23	1,359,323	820,159
EQUITY SHAREHOLDERS' FUNDS	24	<u>1,941,451</u>	<u>1,440,005</u>

These financial statements were approved by the Board of Directors on 9 June 1997.

Signed on behalf of the Board of Directors


 H R O HUMPHREYS

Director



BALANCE SHEET
31 December 1996

	Note	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible assets	10		2,413,050		2,321,068
Investments	11		564,542		453,476
			<u>2,977,592</u>		<u>2,774,544</u>
CURRENT ASSETS					
Stocks	12	77,074		78,427	
Debtors	13	3,407,795		2,694,329	
Cash at bank and in hand		308,411		-	
		<u>3,793,280</u>		<u>2,772,756</u>	
CREDITORS: amounts falling due within one year	14	<u>(3,014,544)</u>		<u>(2,160,966)</u>	
NET CURRENT ASSETS			<u>778,736</u>		<u>611,790</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,756,328</u>		<u>3,386,334</u>
CREDITORS: amounts falling due after more than one year	15		(850,299)		(965,952)
PROVISION FOR LIABILITIES AND CHARGES	17		-		(13,750)
DEFERRED INCOME	18		<u>(718,191)</u>		<u>(775,526)</u>
			<u>2,187,838</u>		<u>1,631,106</u>
CAPITAL AND RESERVES					
Called up share capital	20		309,800		309,800
Share premium account			14,550		14,550
Revaluation reserve	21		198,769		203,286
Capital redemption reserve			75,000		75,000
Profit and loss account	23		<u>1,589,719</u>		<u>1,028,470</u>
EQUITY SHAREHOLDERS' FUNDS			<u>2,187,838</u>		<u>1,631,106</u>

These financial statements were approved by the Board of Directors on 9 June 1997.

Signed on behalf of the Board of Directors


H R O HUMPHREYS

Director



CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1996

	Note	1996 £	1995 £
Cash flow from operating activities	(i)	1,523,570	877,806
Returns on investments and servicing of finance	(ii)	(141,131)	(104,231)
Taxation		(180,564)	(165,923)
Capital expenditure and financial investment	(ii)	(316,323)	(293,901)
Equity dividends paid		(92,940)	(45,165)
Cash inflow before use of liquid resources and financing		792,612	268,586
Financing	(ii)	(439,939)	(179,856)
Increase in cash in the year		<u>352,673</u>	<u>88,730</u>
Reconciliation of net cash flow to movement in net debt	(iii)	1996 £	1995 £
Increase in cash in the year		352,673	88,730
Cash inflow from increase in debt and lease financing		439,939	201,606
Change in net debt resulting from cash flows		792,612	290,336
New finance leases		(378,949)	(398,913)
Translation difference		-	727
Movement in net debt in the year		413,663	(107,850)
Net debt at 1 January		(1,296,675)	(1,188,825)
Net debt at 31 December		<u>(883,012)</u>	<u>(1,296,675)</u>



NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1996

(i) RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1996 £	1995 £
Operating profit	1,121,348	481,096
Depreciation	573,926	507,262
Release of government grants	(60,741)	(60,741)
Loss on sale of tangible fixed assets	4,330	13,711
Decrease in stocks	29,666	7,303
Increase in debtors	(793,381)	(265,645)
Increase in creditors	648,422	194,820
Net cash inflow from operating activities	1,523,570	877,806

(ii) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1996 £	1995 £
Returns on investments and servicing of finance		
Interest received	819	3,164
Interest paid	(95,494)	(68,348)
Interest element of finance lease rental payments	(46,456)	(39,047)
Net cash outflow for returns on investments and servicing of finance	(141,131)	(104,231)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(331,274)	(313,300)
Proceeds from disposal of tangible fixed assets	20,998	25,357
Repayment of loan by associated undertakings	3,700	-
Payments to acquire investments	(9,747)	(5,958)
Net cash outflow for capital expenditure and financial investment	(316,323)	(293,901)
Financing		
Loan repayments	(125,000)	(125,000)
Issue of share capital	-	21,750
Loan advances	-	175,000
Capital element of finance lease repayments	(314,939)	(251,606)
Net cash outflow from financing	(439,939)	(179,856)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1996

(iii) ANALYSIS OF NET DEBT

	At 1 Jan 1996 £	Cash flow £	Other non-cash changes £	At 31 Dec 1996 £
Cash in hand and at bank	96,763	398,412	-	495,175
Bank overdraft	(33,851)	(45,739)	-	(79,590)
	<u>62,912</u>	<u>352,673</u>	<u>-</u>	<u>415,585</u>
Debt due within one year	(125,000)	-	-	(125,000)
Debt due after one year	(650,000)	125,000	-	(525,000)
Finance leases	(584,587)	314,939	(378,949)	(648,597)
	<u>(1,359,587)</u>	<u>439,939</u>	<u>(378,949)</u>	<u>(1,298,597)</u>
	<u>(1,296,675)</u>	<u>792,612</u>	<u>(378,949)</u>	<u>(883,012)</u>

(iv) MAJOR NON-CASH TRANSACTIONS

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £378,949 (1995 - £398,913).



NOTES TO THE ACCOUNTS

Year ended 31 December 1996

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings.

Basis of consolidation

The consolidated accounts include the audited financial statements of the company and all its subsidiaries for the year ended 31 December 1996.

Turnover

Turnover is the total amount, excluding value added tax of sales invoices by the group to third parties during the year.

Hardware and software sales are taken as turnover at the point of despatch.

Maintenance income invoiced in advance for fixed periods is taken to income in equal monthly instalments over the period of the contract.

Turnover also includes income from collaborative research projects in order to match such income against the related expenditure.

Acquisitions

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off directly to reserves in the year of acquisition. Where it is less the difference is treated as an unrealised capital reserve until the underlying net assets have been realised by the group.

Tangible fixed assets

Depreciation is provided to write off the cost, less estimated residual value, of all fixed assets, over their expected useful lives. The rates used are as follows:

Long leasehold buildings	2% straight line
Plant and machinery	15% straight line
Computer equipment	20% - 33% straight line
Fixtures and fittings	20% straight line
Motor vehicles	25% straight line
Ownership of software	5% straight line

Stock and work in progress

Stock and work-in-progress are valued at the lower of cost and net realisable value. Cost is calculated as follows:

Work in progress and finished goods - Direct cost of production plus attributable overheads according to stage of completion.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

1. ACCOUNTING POLICIES (continued)

Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for permanent diminution in value.

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the pre-tax profits and attributable taxation of the associates based on audited financial statements for the year ended 31 December 1996. In the consolidated balance sheet, the shares in associates are shown at the group's share of the net assets, excluding goodwill, of the associates.

Foreign currencies

It is the policy of the group to translate the accounts of its foreign subsidiary undertakings to sterling at the rates of exchange ruling at the close of the financial year. Differences arising from changes in exchange rates are taken to reserves.

Exchange differences on normal trading transactions are reflected in the profits of the year.

Deferred taxation

Deferred taxation is provided at the anticipated rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Leased assets

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental charges for operating leases are written off in the period to which they relate.

Pension costs

The company operates a defined benefit pension scheme covering the majority of its employees. The scheme is in the form of a trustee administered scheme held completely independent from the company's finances. The cost of the pension scheme is charged to the profit and loss account over the expected service lives of participating employees.

2. ANALYSIS OF TURNOVER, OPERATING PROFITS AND NET ASSETS

	1996	1995
(a) The turnover attributable to each of the group's geographical markets is:	£	£
United Kingdom	5,561,133	4,534,152
Rest of the World	8,018,213	5,991,549
	<u>13,579,346</u>	<u>10,525,701</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

2. ANALYSIS OF TURNOVER, OPERATING PROFITS AND NET ASSETS (continued)

(b) A geographical analysis of turnover, operating profit and net assets by location is set out below:

	Turnover		Operating profit		Net assets	
	1996	1995	1996	1995	1996	1995
	£	£	£	£	£	£
United Kingdom	10,313,381	8,610,078	1,081,215	697,677	1,795,672	1,343,959
Rest of the World	3,265,965	1,915,623	40,133	(216,581)	145,779	96,046
	<u>13,579,346</u>	<u>10,525,701</u>	<u>1,121,348</u>	<u>481,096</u>	<u>1,941,451</u>	<u>1,440,005</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1996	1995
	£	£
Directors' emoluments		
Fees	8,483	8,400
Management remuneration	162,196	147,290
	<u>170,679</u>	<u>155,690</u>

Directors' emoluments above include taxable benefits and company pension contributions.

Remuneration of the chairman	8,483	8,400
Remuneration of highest paid director (salary and taxable benefits)	<u>52,952</u>	<u>49,503</u>

	No	No
Emoluments of other directors, excluding pension contributions, were within the following scales:		
£ 0 - £ 5,000	1	-
£ 40,001 - £45,000	-	1
£ 45,001 - £ 50,000	1	1
£ 50,001 - £ 55,000	1	-
	<u>1</u>	<u>1</u>

Average number of persons employed

Development and production staff	115	98
Sales and distribution staff	44	40
Administration staff	20	19
	<u>179</u>	<u>157</u>

	£	£
Staff costs during the year (including directors)		
Wages and salaries	4,484,452	3,446,808
Social security costs	413,423	302,776
Pension costs	197,685	147,951
	<u>5,095,560</u>	<u>3,897,535</u>



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

4. OPERATING PROFIT

	1996 £	1995 £
Operating profit is after charging:		
Depreciation and amortisation		
Owned assets	308,602	278,328
Leased assets	265,324	228,934
Rentals under operating leases		
Hire of plant and machinery	158,529	165,500
Other	113,951	79,581
Auditors' remuneration:		
Audit services	17,198	13,059
Non audit services	11,944	7,500
	<u> </u>	<u> </u>
and crediting the following:		
Rental income	48,840	48,840
Government grants released to profit and loss account	60,741	60,741
	<u> </u>	<u> </u>

5. INTEREST RECEIVABLE

	1996 £	1995 £
Bank deposit interest	492	2,273
Other interest	327	891
	<u> </u>	<u> </u>
	819	3,164
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Bank overdraft interest	26,228	18,270
Other loans:		
Repayable within five years	69,266	50,078
Finance charges payable - finance leases	46,456	39,047
	<u> </u>	<u> </u>
	141,950	107,395
	<u> </u>	<u> </u>



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
Taxation is based on profits for the year and comprises:		
Corporation tax at 33% less marginal relief (1995 - 33%)	284,999	174,674
Deferred taxation	14,110	(16,250)
Associated undertakings	13,778	6,115
	<u>312,887</u>	<u>164,539</u>
Under/(over) provision for earlier years:		
Deferred taxation	2,140	-
Corporation tax	(8,363)	(1,445)
	<u>306,664</u>	<u>163,094</u>
Overseas taxation	29,060	16,074
	<u><u>335,724</u></u>	<u><u>179,168</u></u>

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £657,417 (1995 - £414,174).

9. DIVIDENDS

	1996 £	1995 £
Interim paid		
0.75p per 'A' Ordinary share (1995 - £Nil)	23,235	-
Final proposed		
2.5p per 'A' Ordinary share (1995 - 2.25p)	77,450	69,705
	<u><u>100,685</u></u>	<u><u>69,705</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

10. TANGIBLE FIXED ASSETS

(a) Group	Long leasehold buildings £	Ownership of software £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 January 1996	1,296,000	600,000	654,385	1,760,830	64,950	4,376,165
Additions	12,420	-	4,329	666,815	26,659	710,223
Disposals	-	-	-	(39,562)	(30,228)	(69,790)
Exchange differences	-	-	-	(23,791)	(1,607)	(25,398)
At 31 December 1996	1,308,420	600,000	658,714	2,364,292	59,774	4,991,200
Accumulated depreciation						
At 1 January 1996	103,680	390,000	433,452	909,985	46,641	1,883,758
Charge for the year	26,106	30,000	46,419	459,576	11,825	573,926
Disposals	-	-	-	(16,080)	(28,383)	(44,463)
Exchange differences	-	-	-	(7,555)	(795)	(8,350)
At 31 December 1996	129,786	420,000	479,871	1,345,926	29,288	2,404,871
Net book value						
At 31 December 1996	1,178,634	180,000	178,843	1,018,366	30,486	2,586,329
At 31 December 1995	1,192,320	210,000	220,933	850,845	18,309	2,492,407
(b) Company						
Cost or valuation						
At 1 January 1996	1,296,000	600,000	654,385	1,501,913	46,679	4,098,977
Additions	12,420	-	4,329	603,163	26,659	646,571
Disposals	-	-	-	-	(30,228)	(30,228)
At 31 December 1996	1,308,420	600,000	658,714	2,105,076	43,110	4,715,320
Accumulated depreciation						
At 1 January 1996	103,680	360,000	433,452	841,444	39,333	1,777,909
Charge for the year	26,106	60,000	46,419	411,880	8,339	552,744
Disposals	-	-	-	-	(28,383)	(28,383)
At 31 December 1996	129,786	420,000	479,871	1,253,324	19,289	2,302,270
Net book value						
At 31 December 1996	1,178,634	180,000	178,843	851,752	23,821	2,413,050
At 31 December 1995	1,192,320	240,000	220,933	660,469	7,346	2,321,068


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
10. TANGIBLE FIXED ASSETS (continued)

Land and buildings were revalued in 1991 at open market value on the basis of existing use at £1,285,000. If the property had not been revalued long leasehold land and buildings would have been carried in the balance sheet at 31 December 1996 at £980,026 (1995 - £989,275).

Leased assets

Included in tangible assets are assets held under finance leases and hire purchase contracts with a net book value of £523,004 (1995 - £593,183).

11. INVESTMENTS HELD AS FIXED ASSETS

(a) Group	Associated undertakings not consolidated £	Loans to associated undertakings £	Interests in associated undertakings £	Other investments £	Total £
Cost					
At 1 January 1996	95,603	3,700	86,701	20,000	206,004
Additions in year	9,747	-	-	-	9,747
Repayment during year	-	(3,700)	-	-	(3,700)
Exchange movement	-	-	(12,574)	-	(12,574)
At 31 December 1996	105,350	-	74,127	20,000	199,477
Share of profits retained					
At 1 January 1996	-	-	29,302	-	29,302
Profits retained in year	-	-	42,817	-	42,817
Exchange movement	-	-	(5,560)	-	(5,560)
At 31 December 1996	-	-	66,559	-	66,559
Provisions					
At 1 January 1996 and 31 December 1996	11,247	-	-	-	11,247
Net book value					
At 31 December 1996	94,103	-	140,686	20,000	254,789
At 31 December 1995	84,356	3,700	116,003	20,000	224,059

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

11. INVESTMENTS HELD AS FIXED ASSETS (continued)

(b) Company	Shares in group undertakings £	Loans to group undertakings £	Shares in associated undertakings £	Loans to associated undertakings £	Other investments £	Total £
Cost						
At 1 January 1996	261,185	32,147	153,876	3,700	20,000	470,908
Additions in year	81,317	27,306	9,747	-	-	118,370
Repayment during year	-	(3,604)	-	(3,700)	-	(7,304)
At 31 December 1996	<u>342,502</u>	<u>55,849</u>	<u>163,623</u>	<u>-</u>	<u>20,000</u>	<u>581,974</u>
Provisions						
At 1 January 1996 and 31 December 1996	-	6,185	11,247	-	-	17,432
Net book value						
At 31 December 1996	<u>342,502</u>	<u>49,664</u>	<u>152,376</u>	<u>-</u>	<u>20,000</u>	<u>564,542</u>
At 31 December 1995	<u>261,185</u>	<u>25,962</u>	<u>142,629</u>	<u>3,700</u>	<u>20,000</u>	<u>453,476</u>

Group undertakings

The company has shareholdings in the following companies:

Group undertaking	Shareholding	Country of incorporation/ registration and operation	Investment value £
Delcam Systems Limited	100%	England	2
Delcam Italia SRL	90%	Italy	90,369
Delcam Malaysia	100%	Malaysia	41,086
Delcam International GmbH	100%	Germany	22,299
Delcam Japan	52%	Japan	188,746
Delcam Inc	100%	Canada	-
			<u>342,502</u>

Delcam Systems Limited is a dormant company. The other Group undertakings carry on the business of the supply of CAD/CAM systems to overseas markets.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
11. INVESTMENTS HELD AS FIXED ASSETS (continued)
Associated undertakings

The company has shareholdings in the following active companies which have been accounted for on an equity basis:

Associated undertaking	Shareholding	Country of incorporation and operation
Hankook Delcam	30%	Korea
Delcam (North) Programming Services	30%	England
Delcam Taiwan	22%	Taiwan
Delcam Espania	20%	Spain
Delcam BRNO	33%	Czechoslovakia

Each of the associated undertakings carry on the business of agents supplying CAD/CAM systems to overseas markets.

(c) Information relating to associated undertakings not consolidated

Reliable information relating to the net assets and the profit or loss for the year for certain associated undertakings listed below is not readily available.

Associated undertaking	Shareholding	Country of incorporation and operation
Delimex Limited	50%	Bulgaria
Delcam Spb	50%	Russia
Delcam Ural	50%	Russia

The directors are of the opinion that the value of the investments and amounts receivable are not less than the amounts stated at the balance sheet date and the figures are not material.

(d) Related party transactions

During the year the company made transactions during the course of normal trading with related parties as detailed below:

	£
Sales to group companies	1,033,843
Sales to associated undertakings	1,201,417
Purchases from group undertakings	9,306
Purchases from associated undertakings	252,216

The year end balances with related parties are included within notes 13 and 14.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
12. STOCKS

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Work in progress	35,550	32,700	35,550	32,700
Finished goods and goods for resale	101,941	134,457	41,524	45,727
	<u>137,491</u>	<u>167,157</u>	<u>77,074</u>	<u>78,427</u>

13. DEBTORS

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Trade debtors	3,124,336	2,181,305	2,404,006	1,797,406
Amounts owed by subsidiary undertakings	-	-	603,480	341,066
Amounts owed by undertakings in which the company has a participating interest	272,445	448,006	272,445	448,006
Other debtors	48,496	46,521	324	14,856
Advance corporation tax recoverable	19,362	17,100	19,362	17,100
Prepayments and accrued income	113,744	90,095	108,178	75,895
	<u>3,578,383</u>	<u>2,783,027</u>	<u>3,407,795</u>	<u>2,694,329</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Bank overdraft (note 16)	79,590	33,851	-	33,851
Bank loans (note 16)	125,000	125,000	125,000	125,000
Payments received on account	427,281	74,485	427,281	74,485
Trade creditors	894,577	791,302	734,708	551,419
Amounts owed to undertakings in which the company has a participating interest	75,343	250,630	75,343	250,630
Other taxation and social security	278,096	293,062	216,031	225,570
Other creditors	234,430	147,531	161,469	117,407
Corporation tax	207,331	104,205	207,331	104,205
Overseas taxation	37,901	16,778	-	-
Accruals and deferred income	671,839	349,572	671,839	349,572
Finance lease obligations (note 16)	323,298	268,635	318,092	259,122
Dividends payable	77,450	69,705	77,450	69,705
	<u>3,432,136</u>	<u>2,524,756</u>	<u>3,014,544</u>	<u>2,160,966</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Bank loans (note 16)	525,000	650,000	525,000	650,000
Finance lease obligations (note 16)	325,299	315,952	325,299	315,952
	<u>850,299</u>	<u>965,952</u>	<u>850,299</u>	<u>965,952</u>

16. BORROWINGS

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Bank overdraft	79,590	33,851	-	33,851
Bank loan 1	250,000	375,000	250,000	375,000
Bank loan 2	400,000	400,000	400,000	400,000
Obligations under finance lease contracts	648,597	584,587	643,391	575,074
	<u>1,378,187</u>	<u>1,393,438</u>	<u>1,293,391</u>	<u>1,383,925</u>
Less: Amounts falling due within one year	(527,888)	(427,486)	(443,092)	(417,973)
Amounts falling due after more than one year	<u>850,299</u>	<u>965,952</u>	<u>850,299</u>	<u>965,952</u>
Analysis of repayments:				
Bank loans and overdraft				
Within one year or on demand	204,590	158,851	125,000	158,851
Between one and two years	225,000	225,350	225,000	225,350
Between two and five years	300,000	424,650	300,000	424,650
Obligations under finance lease contracts				
Within one year	323,298	268,635	318,092	259,122
Between one and two years	208,791	177,952	208,791	177,952
Between two and five years	116,508	138,000	116,508	138,000
	<u>1,378,187</u>	<u>1,393,438</u>	<u>1,293,391</u>	<u>1,383,925</u>

The first loan is repayable by four equal annual instalments commencing on 23 October 1995 and interest is charged at 11% per annum.

The second loan is repayable by quarterly instalments over a three year period commencing 1 April 1998 and interest is charged at 1.75% above Barclays Bank PLC base rate.

The bank loans and overdraft are secured by fixed and floating charges over the company's tangible and intangible assets.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

17. PROVISION FOR LIABILITIES AND CHARGES

	Group £	Company £
Deferred taxation		
At 1 January 1996	(16,250)	13,750
Charge/(credit) for the year	16,250	(13,750)
	<u> </u>	<u> </u>
At 31 December 1996	<u> </u>	<u> </u>

The amounts of deferred taxation provided in the accounts are:

Group	Provided		Not provided	
	1996 £	1995 £	1996 £	1995 £
Capital allowances in excess of depreciation	-	58,900	106,000	-
Other timing differences	-	(75,150)	(42,000)	-
Taxation on valuation surplus	-	-	69,000	69,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	(16,250)	133,000	69,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Company				
Capital allowances in excess of depreciation	-	58,900	106,000	-
Other timing differences	-	(45,150)	(42,000)	-
Taxation on valuation surplus	-	-	69,000	69,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	13,750	133,000	69,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18. DEFERRED INCOME

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Maintenance income to be recognised within one year	611,761	619,967	611,761	619,967
Maintenance income to be recognised after more than one year	11,612	-	11,612	-
Other income to be recognised within one year	60,743	60,741	60,743	60,741
Other income to be recognised after more than one year	34,075	94,818	34,075	94,818
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	718,191	775,526	718,191	775,526
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Deferred maintenance income represents amounts invoiced in advance in respect of contracts for the provision of hardware and software maintenance. Other deferred income represents grant income received being amortised over seven years


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
19. EQUITY MINORITY INTERESTS

	£
At 1 January 1996	73,424
Share of profits for the year	45,259
Difference on exchange	(8,593)
	<hr/>
At 31 December 1996	110,090
	<hr/>

20. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised		
4,000,000 'A' Ordinary shares of 10p each	400,000	400,000
750,000 'B' Ordinary shares of 10p each	75,000	75,000
	<hr/>	<hr/>
	475,000	475,000
	<hr/>	<hr/>
Called up, allotted and fully paid		
3,098,000 'A' Ordinary shares of 10p each	309,800	309,800
	<hr/>	<hr/>

21. REVALUATION RESERVE
Group and company

	£
At 1 January 1996	203,286
Movement in year	(4,517)
	<hr/>
At 31 December 1996	198,769
	<hr/>

22. OTHER RESERVES

	Group 1996 £	1995 £
Foreign exchange fluctuations reserve	(25,703)	7,498
Capital reserve	9,712	9,712
	<hr/>	<hr/>
	(15,991)	17,210
	<hr/>	<hr/>
Foreign exchange fluctuations reserve	£	
At 1 January 1996	7,498	
Movement in the year	(33,201)	
	<hr/>	
At 31 December 1996	(25,703)	
	<hr/>	

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

23. PROFIT AND LOSS ACCOUNT

	Group £	Company £
At 1 January 1996	820,159	1,028,470
Profit for the year	555,144	556,732
Transfer from revaluation reserve	4,517	4,517
Goodwill written off	(20,497)	-
	<hr/>	<hr/>
At 31 December 1996	1,359,323	1,589,719
	<hr/>	<hr/>

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 1996 £	1995 £
Profit for the financial year	655,829	294,729
Dividends paid	(100,685)	(69,705)
Movement in exchange fluctuation reserve	(33,201)	(20,902)
Goodwill on acquisition write-off	(20,497)	-
Issue of share capital	-	21,750
	<hr/>	<hr/>
Net addition to shareholders' funds	501,446	225,872
	<hr/>	<hr/>
Opening shareholders' funds	1,440,005	1,214,133
	<hr/>	<hr/>
Closing shareholders' funds	1,941,451	1,440,005
	<hr/>	<hr/>

25. PENSION COSTS

The contributions paid to the defined benefit scheme amounted to £197,685 (1995 - £147,951). Contributions outstanding at the year end were £33,449 (1995 - £85,850).

In the opinion of the actuary, the scheme is adequately funded and with the current contribution rate will be able to fully meet its liabilities. The latest actuarial valuation on the scheme was performed as at 6 April 1996 using the defined approved benefit method. The main actuarial assumption was that the investment returns would exceed the rate of salary increases by 1.5%.

That valuation showed that the actuarial value of the scheme's assets was £2,235,618 which represented 93% of the benefits accrued to members at the valuation date after allowing for future increases in earnings.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

26. FINANCIAL COMMITMENTS

Capital commitments

There were no capital commitments contracted for but not provided at 31 December 1996 (1995 - £Nil).

Operating lease commitments

At 31 December 1996, the group and company had annual commitments under non-cancellable other operating leases as set out below:

	Land and buildings 1996 £	Other 1996 £	Land and buildings 1995 £	Other 1995 £
Leases which expire:				
Within one year	-	10,780	-	7,135
Within two to five years	-	111,284	50,000	77,534
After five years	50,000	-	-	-
	<u>50,000</u>	<u>122,064</u>	<u>50,000</u>	<u>84,669</u>

Other commitments

At 31 December 1996, the company has other annual commitments as set out below:

	1996 £	1995 £
Amounts due:		
Within two to five years	<u>20,000</u>	<u>29,000</u>

The company has entered into other guarantees and indemnities of a trading nature in the normal course of business.

27. CASH FLOW STATEMENT

The cash flow statement on pages 11 to 13 has been prepared under FRS1 "Cash flow statements" - revised, as the directors have decided on the early adoption of this standard.