

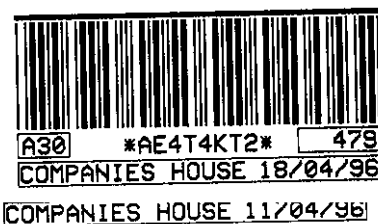


DELCAM INTERNATIONAL PLC

Report and Financial Statements

31 December 1995

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





REPORT AND FINANCIAL STATEMENTS 1995

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REPORT AND FINANCIAL STATEMENTS 1995

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T R Kinsey	(Chairman)
H R O Humphreys	(Managing Director)
E B Lambourne	(Technical Director)
C P Martell	(Marketing 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

Midland Bank plc
130 New Street
Birmingham
B2 4JU

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 1995 has been a most successful year with a 20% increase in profit before tax at £601,000, arising from sales of £9.2 million, an increase of 17% over 1994.

Dividend

The Board proposes the payment of a dividend for the year of 2¼p net, an increase of 50% on that paid in respect of 1994 to be paid on 15 April. In 1996, the company will commence paying interim and final dividends, and subject to reasonable trading, will pay an interim dividend in October followed by a final dividend in April 1997. The company in the past has of necessity operated a fairly restrictive dividend policy and it is hoped that future profit and cash generation will allow a somewhat more liberal approach to be taken.

Review

I reported last year that Tooling Services, following some capital expenditure and reorganisation, had made a contribution to the company's profit, in addition to fulfilling the vital role of offering demonstration and testing facilities. I am now pleased to record that the profit from this area has further increased by 70% over that achieved in 1994.

Software sales in the majority of our major markets showed a healthy increase in 1995. Overall software sales increased by 35%.

Western Europe, in which UK, Spain and Italy did particularly well showed an increase of 41% over 1994.

Eastern Europe software, primarily Russia increased by 36%.

Far East software sales increased by 9% but Japan with our new company now established more than doubled, and Korea, our most successful market in the region increased by 37%.

Our performance in the Americas was particularly strong. North America increased by 91% whilst sales in Brazil, which in 1994 enjoyed a fourfold increase over 1993, further increased by 50% over 1994.

The financial objectives of the company can only be achieved if we can offer to the market place continuous enhancement of our existing products and the introduction of new ones. To this end, we have continued to increase our spend on Product Development. Several new products were introduced in 1995 and work continues on planned new launches in 1996 and 1997.

1995 saw the announcement of our second Microsoft Windows product with the launch of PowerMILL NT at Autofact 95. The company is committed to delivering an increased range of Windows CAD/CAM products during the next eighteen months.

Prospects

The company has grown in profits, sales, product range, markets and staff in the last few years and it is now a substantial player in the international CAD/CAM field. However, competition is intense, and requires the company to maintain a high investment in product development.

We have a skilled committed staff and we are known and respected in our field world-wide. I shall be disappointed if the current year's profit does not exceed that of 1995 but the timing of the introduction of our new products make it unlikely that we shall show a further 20% increase.

Once again I should like to thank all the staff for their efforts in taking the company forward, and our advisers, particularly Will Rogers and David Butler.

T R KINSEY

Chairman

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company 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 company.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors recommend the payment of a dividend of £69,705 (1994 - £45,165). Profits transferred to reserves are £344,469 (1994 - £284,665).

LAND AND BUILDINGS

A valuation of the company's land and buildings was carried out at open market value with existing use in 1991. The directors are of the opinion that there is no significant difference between this valuation and the market value as at 31 December 1995.

SHARE CAPITAL

During the year, 87,000 'A' Ordinary shares were issued for a total consideration of £21,750. The shares were issued to widen shareholder participation.

DIRECTORS AND THEIR INTERESTS

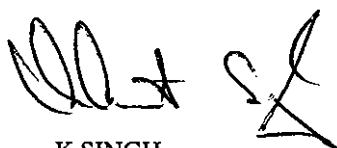
The directors who served during the year and the beneficial and family interests of those serving at the end of the year in the share of the company are as follows:

	Ordinary shares of 10p each	
	1995	1994
T R Kinsey	21,000	20,000
H R O Humphreys	567,142	566,142
E B Lambourne	567,142	566,142
C P Martell	101,000	100,000

AUDITORS

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



K SINGH

Secretary

15 March 1996

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 as at the end of the financial year and of the profit or loss of the company 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 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 financial statements comply with the Companies Act. 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.



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 INTERNATIONAL PLC

We have audited the financial statements on pages 7 to 22 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 4 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

15 March 1996





Chartered Accountants

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

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AUDITORS' REPORT TO THE DIRECTORS OF DELCAM INTERNATIONAL PLC PURSUANT TO SECTION 248(3) OF THE COMPANIES ACT 1985

We have examined the financial statements of the company and each of its subsidiaries for the year ended 31 December 1995.

Basis of opinion

The scope of our work for the purposes of this report was limited to confirming that the company is entitled to exemption from preparing group financial statements.

Opinion

In our opinion the company is entitled to the exemption from preparing group accounts conferred by section 248 of the Companies Act 1985.

Chartered Accountants and Registered Auditors

15 March 1996



PROFIT AND LOSS ACCOUNT
Year ended 31 December 1995

	Note	1995 £	1994 £
TURNOVER	2	9,157,865	7,792,819
Cost of sales		(4,964,609)	(4,315,169)
Gross profit		4,193,256	3,477,650
Distribution costs		(1,715,655)	(1,323,072)
Administrative expenses		(1,779,924)	(1,577,011)
Other operating income	4	-	48,840
OPERATING PROFIT	5	697,677	626,407
Other interest receivable	6	2,196	7,785
Interest payable and similar charges	7	(98,720)	(134,045)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		601,153	500,147
Tax on profit on ordinary activities	8	(186,979)	(141,486)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING PROFIT FOR THE FINANCIAL YEAR		414,174	358,661
Dividends	9	(69,705)	(45,165)
Premium on redemption of shares		-	(28,831)
PROFIT FOR THE YEAR	20	344,469	284,665

NOTE OF HISTORICAL COST PROFIT AND LOSSES

	1995 £	1994 £
Profit on ordinary activities before taxation	601,153	500,147
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	605,670	504,664
Historical cost profit for the year retained after taxation and dividends	348,986	289,182

All activities derive from continuing operations.

There are no recognised gains and losses other than the profit for the financial year. Accordingly, no statement of total recognised gains and losses is given.

BALANCE SHEET
31 December 1995

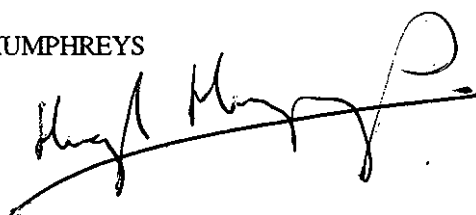
	Note	1995	1994 restated
		£	£
FIXED ASSETS			
Tangible assets	10	2,321,068	2,206,267
Investments	11	453,476	271,996
		<u>2,774,544</u>	<u>2,478,263</u>
CURRENT ASSETS			
Stocks	12	78,427	103,275
Debtors	13	2,694,329	2,243,421
		<u>2,772,756</u>	<u>2,346,696</u>
CREDITORS: amounts falling due within one year	14	<u>(2,160,966)</u>	<u>(2,069,970)</u>
NET CURRENT ASSETS		<u>611,790</u>	<u>276,726</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,386,334</u>	<u>2,754,989</u>
CREDITORS: amounts falling due after more than one year	15	(965,952)	(775,135)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(13,750)	-
DEFERRED INCOME	17	<u>(775,526)</u>	<u>(714,967)</u>
		<u>1,631,106</u>	<u>1,264,887</u>
CAPITAL AND RESERVES			
Called up share capital	19	309,800	301,100
Share premium account	20	14,550	1,500
Revaluation reserve	20	203,286	207,803
Capital redemption reserve	20	75,000	75,000
Profit and loss account	20	1,028,470	679,484
EQUITY SHAREHOLDERS' FUNDS	21	<u>1,631,106</u>	<u>1,264,887</u>

These financial statements were approved by the Board of Directors on 15 March 1996.

Signed on behalf of the Board of Directors

H R O HUMPHREYS

Director



CASH FLOW STATEMENT
Year ended 31 December 1995

	Note	£	1995 £	£	1994 £
Net cash inflow from operating activities	(i)		775,377		723,564
Returns on investments and servicing of finance					
Interest received		2,196		7,785	
Interest paid		(59,673)		(96,666)	
Interest element of finance lease rentals payments		(39,047)		(35,857)	
Dividend paid		(45,165)		(37,510)	
Net cash outflow from returns on investments and servicing of finance			(141,689)		(162,248)
Taxation					
Corporation tax paid (including advance corporation tax)			(152,810)		(126,238)
Investing activities					
Payments to acquire investments		(202,340)		(87,004)	
Repayment of loan by group undertaking		20,860		-	
Payments to acquire tangible fixed assets		(166,221)		(144,415)	
Proceeds from disposal of fixed assets		15,630		-	
Net cash outflow from investing activities			(332,071)		(231,419)
Net cash inflow before financing			148,807		203,659
Financing					
Loan repayments		(125,000)		(277,230)	
Capital element of finance lease repayments		(247,978)		(204,870)	
Premium on redemption of share capital		-		(28,381)	
Redemption of share capital		-		(75,000)	
Issue of share capital		21,750		2,500	
Loan advances		175,000		-	
Net cash outflow from financing	(iii)		(176,228)		(583,431)
Decrease in cash and cash equivalents	(ii)		(27,421)		(379,772)


NOTES TO THE CASH FLOW STATEMENT
Year ended 31 December 1995
**(i) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW
FROM OPERATING ACTIVITIES**

	1995 £	1994 £
Operating profit	697,677	626,407
Depreciation charges	436,942	434,782
Profit on disposal of fixed assets	(2,239)	-
Release of government grants	(60,741)	(30,500)
Provision against carrying value of investment	-	11,247
Investment written off	-	1,902
Decrease/(increase) in stocks	24,848	(4,377)
(Increase) in debtors	(445,099)	(685,519)
Increase in creditors	123,989	369,622
Net cash inflow from operating activities	<u>775,377</u>	<u>723,564</u>

**(ii) ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS
DURING THE YEAR**

	1995 £	1994 £
Balance at 1 January	(6,430)	373,342
Net cash outflow	<u>(27,421)</u>	<u>(379,772)</u>
Balance at 31 December	<u>(33,851)</u>	<u>(6,430)</u>

(iii) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including share premium account)		Finance lease obligations		Loans and deferred consideration	
	1995 £	1994 £	1995 £	1994 £	1995 £	1994 £
Balance at 1 January	302,600	375,100	424,139	400,473	725,000	1,002,230
Redemption of share capital	-	(75,000)	-	-	-	-
Cash outflow from financing	-	-	(247,978)	(204,870)	(125,000)	(277,230)
Inception of finance lease contracts	-	-	398,913	228,536	-	-
Issue of share capital	21,750	2,500	-	-	-	-
New bank loan	-	-	-	-	175,000	-
Balance at 31 December	<u>324,350</u>	<u>302,600</u>	<u>575,074</u>	<u>424,139</u>	<u>775,000</u>	<u>725,000</u>

(iv) MAJOR NON-CASH TRANSACTIONS

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £398,913.

NOTES TO THE ACCOUNTS

Year ended 31 December 1995

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.

Turnover

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

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.

Group accounts

Under Section 248 of the Companies Act 1985 the company is exempt from the requirement to prepare group accounts.

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 is not depreciated. In previous years the ownership of software was being depreciated at a rate of 10% straight line. The company incurs significant cost in enhancing and developing its software each year which is written off to the profit and loss account. In the directors' view this cost equates to any annual amortisation of the software required.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

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.

Grants

Grants relating to job creation and capital expenditure are credited to profit and loss account over 7 years.

Research and development expenditure

Expenditure on research and development is charged against profits in the year in which it is incurred.

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

1. ACCOUNTING POLICIES (continued)

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.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

2. TURNOVER

	1995 £	1994 £
Turnover is analysed as follows:		
United Kingdom	4,534,152	4,369,757
Exports	4,623,713	3,423,062
	<u>9,157,865</u>	<u>7,792,819</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1995 £	1994 £
Directors' emoluments		
Fees	8,400	7,900
Management remuneration	147,290	103,649
	<u>155,690</u>	<u>111,549</u>

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

Remuneration of the chairman	8,400	7,900
Remuneration of highest paid director (salary and taxable benefits)	<u>49,503</u>	<u>47,509</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1995
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1995	1994
	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
	<u>1</u>	<u>1</u>
Average number of persons employed		
Production staff	98	94
Sales and distribution staff	27	25
Administration staff	10	9
	<u>135</u>	<u>128</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	3,043,957	2,488,713
Social security costs	257,321	212,625
Pension costs	147,951	128,563
	<u>3,449,229</u>	<u>2,829,901</u>

4. OTHER OPERATING INCOME

	1995	1994
	£	£
Rental income	-	48,840
	<u>-</u>	<u>48,840</u>

5. OPERATING PROFIT

	1995	1994
	£	£
Operating profit is after charging:		
Depreciation and amortisation		
Owned assets	208,008	228,852
Leased assets	228,934	205,930
Rentals under operating leases		
Hire of plant and machinery	144,836	111,140
Land and buildings	50,000	56,700
Auditors' remuneration		
Audit services	8,000	7,500
Non audit services	7,500	5,500
	<u>448,274</u>	<u>415,522</u>
and crediting the following:		
Government grants released to profit and loss account	60,741	30,500
	<u>60,741</u>	<u>30,500</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

6. OTHER INTEREST RECEIVABLE

	1995 £	1994 £
Bank interest	2,196	7,785

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1995 £	1994 £
Bank overdraft interest	9,595	17,650
Other loans:		
Repayable within five years	50,078	80,538
Finance charges payable - finance leases	39,047	35,857
	<u>98,720</u>	<u>134,045</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £	1994 £
United Kingdom corporation tax at 33% less marginal relief (1994 - 33%) based on the profit for the year	174,674	148,951
Deferred taxation	13,750	-
	<u>188,424</u>	<u>148,951</u>
Adjustments to prior years' tax provisions		
UK corporation tax	(1,445)	(7,465)
	<u>186,979</u>	<u>141,486</u>

9. DIVIDENDS

	1995 £	1994 £
Final proposed		
2.25p per 'A' Ordinary share (1994 - 1.5p)	69,705	45,165



NOTES TO THE ACCOUNTS
Year ended 31 December 1995

10. TANGIBLE FIXED ASSETS

	Long leasehold buildings £	Ownership of software £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 January 1995	1,296,000	600,000	612,849	2,052,433	59,109	4,620,391
Additions	-	-	125,913	439,221	-	565,134
Disposals	-	-	(5,557)	(12,967)	(12,430)	(30,954)
Assets written off	-	-	(78,820)	(976,774)	-	(1,055,594)
At 31 December 1995	1,296,000	600,000	654,385	1,501,913	46,679	4,098,977
Accumulated depreciation						
At 1 January 1995	77,760	360,000	474,816	1,463,410	38,138	2,414,124
Charge for the year	25,920	-	42,069	357,071	11,882	436,942
Disposals	-	-	(4,613)	(2,263)	(10,687)	(17,563)
Assets written off	-	-	(78,820)	(976,774)	-	(1,055,594)
At 31 December 1995	103,680	360,000	433,452	841,444	39,333	1,777,909
Net book value						
At 31 December 1995	1,192,320	240,000	220,933	660,469	7,346	2,321,068
At 31 December 1994	1,218,240	240,000	138,033	589,023	20,971	2,206,267

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 1995 at £989,275 (1994 - £1,010,659).

Leased assets

Included in tangible assets are assets held under finance leases and hire purchase contracts with a net book value of £593,183 (1994 - £467,930).

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

11. INVESTMENTS HELD AS FIXED ASSETS

	Shares in group undertakings £	Loans to group undertakings £	Shares in associated undertakings £	Loans to associated undertakings £	Total £
Cost					
At 1 January 1995	64,803	53,007	186,560	17,573	321,943
Additions in year	196,382	-	5,958	-	202,340
Investment written off	-	-	(14,942)	(17,573)	(32,515)
Repayment during year	-	(20,860)	-	-	(20,860)
Conversion of shares to loan in associated undertakings	-	-	(3,700)	3,700	-
At 31 December 1995	<u>261,185</u>	<u>32,147</u>	<u>173,876</u>	<u>3,700</u>	<u>470,908</u>
Provisions					
At 1 January 1995	-	6,185	26,189	17,573	49,947
Investment written off	-	-	(14,942)	(17,573)	(32,515)
At 31 December 1995	<u>-</u>	<u>6,185</u>	<u>11,247</u>	<u>-</u>	<u>17,432</u>
Net book value					
At 31 December 1995	<u>261,185</u>	<u>25,962</u>	<u>162,629</u>	<u>3,700</u>	<u>453,476</u>
At 31 December 1994	<u>64,803</u>	<u>46,822</u>	<u>160,371</u>	<u>-</u>	<u>271,996</u>

(a) 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	62.5%	Italy	23,715
Delcam Malaysia	100%	Malaysia	41,086
Delcam International GmbH	100%	Germany	22,299
Delcam Japan	52%	Japan	174,083
			<u>261,185</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 1995

11. INVESTMENTS HELD AS FIXED ASSETS

(b) Associated undertakings

The company has shareholdings in the following active companies:

Associated undertaking	Shareholding	Country of incorporation and operation
Delimex Limited	50%	Bulgaria
Hankook Delcam	30%	Korea
Toolroom Technology	10%	England
Delcam North	30%	England
Delcam Spb	48%	Russia
Delcam Ural	50%	Russia
Delcam Moscow	50%	Russia
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 the investments

Information relating to the net assets and the profit or loss for the year for the group and associated undertakings is not readily available. However, 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.

12. STOCKS

	1995 £	1994 £
Work in progress	32,700	19,365
Finished goods and goods for resale	45,727	83,910
	<u>78,427</u>	<u>103,275</u>

13. DEBTORS

	1995 £	1994 £
Trade debtors	1,797,406	1,624,056
Amounts owed by subsidiary undertakings	341,066	212,138
Amounts owed by undertakings in which the company has a participating interest	448,006	274,755
Other debtors	14,856	28,381
Advance corporation tax recoverable	17,100	11,291
Prepayments and accrued income	75,895	92,800
	<u>2,694,329</u>	<u>2,243,421</u>

Included under trade debtors and advance corporation tax recoverable are amounts of £9,300 (1994 - £Nil) and £17,100 (1994 - £11,291) which are due after more than one year.

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995	1994
	£	restated £
Bank overdraft (note 24)	33,851	6,430
Bank loans (note 24)	125,000	185,000
Payments received on account	74,485	108,185
Trade creditors	551,419	663,587
Amounts owed to undertakings in which the company has a participating interest	250,630	144,343
Other taxation and social security	225,570	217,263
Other creditors	117,407	110,157
Corporation tax	104,205	81,539
Accruals and deferred income	349,572	319,297
Finance lease obligations	259,122	189,004
Dividends payable	69,705	45,165
	<u>2,160,966</u>	<u>2,069,970</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1995	1994
	£	£
Bank loans (note 24)	650,000	540,000
Finance lease obligations	315,952	235,135
	<u>965,952</u>	<u>775,135</u>

16. BORROWINGS

	1995	1994
	£	£
Bank overdraft	33,851	6,430
Bank loan 1	375,000	500,000
Bank loan 2	400,000	225,000
Obligations under finance lease contracts	575,074	424,139
	<u>1,383,925</u>	<u>1,155,569</u>
Less: Amounts falling due within one year	<u>(417,973)</u>	<u>(380,434)</u>
Amounts falling due after more than one year	<u>965,952</u>	<u>775,135</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

16. BORROWINGS (continued)

	1995 £	1994 £
Analysis of repayments:		
Bank loans and overdraft		
Within one year or on demand	158,851	191,430
Between one and two years	225,350	185,000
Between two and five years	424,650	355,000
Obligations under finance lease contracts		
Within one year	259,122	189,004
Between one and two years	177,952	137,490
Between two and five years	138,000	93,038
After more than five years	-	4,607
	<u>1,383,925</u>	<u>1,155,569</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 monthly instalments over a three year period commencing 7 April 1997 and interest is charged at 2% above Midland Bank plc base rate.

17. DEFERRED INCOME

	1995 £	1994 restated £
Maintenance income to be recognised within one year	619,967	498,667
Other income to be recognised within one year	60,741	60,741
Other income to be recognised after more than one year	94,818	155,559
	<u>775,526</u>	<u>714,967</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. The comparative figures have been amended to reflect the Company's accounting policy that deferred income consists of all revenue invoiced but not yet recognised as income in the profit and loss account. In previous years maintenance deferred income was classified as accruals and deferred income.



NOTES TO THE ACCOUNTS
Year ended 31 December 1995

18. PROVISION FOR LIABILITIES AND CHARGES

	£
Deferred taxation	
Opening balance at 1 January 1995	-
Current period charge	13,750
	<u>13,750</u>
Closing balance at 31 December 1995	<u>13,750</u>

The balance on the deferred taxation account and the amounts not provided are as follows:

	Provided 1995 £	Provided 1994 £	Not provided 1995 £	Not provided 1994 £
Capital allowances in excess of depreciation	58,900	-	-	(7,300)
Other timing differences	(45,150)	-	-	(32,200)
Taxation on valuation surplus	-	-	69,000	69,000
	<u>13,750</u>	<u>-</u>	<u>69,000</u>	<u>29,500</u>

19. CALLED UP SHARE CAPITAL

	1995 £	1994 £
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
	<u>475,000</u>	<u>475,000</u>
Called up, allotted and fully paid		
3,098,000 (1994 - 3,011,000) 'A' Ordinary shares of 10p each	<u>309,800</u>	<u>301,100</u>

During the year, 87,000 'A' Ordinary shares were issued at a premium of 15p per share for cash. The shares were issued on the following dates:

	No
30 January 1995	1,000
31 January 1995	85,000
31 July 1995	1,000

The shares were issued to widen shareholder participation.

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

20. RESERVES

	Share premium account £	Capital redemption reserve £	Revaluation reserves £	Profit and loss account £
At 1 January 1995	1,500	75,000	207,803	679,484
Profit for the year	-	-	-	344,469
Transfer from revaluation reserve	-	-	(4,517)	4,517
Premium on issue of shares	13,050	-	-	-
At 31 December 1995	<u>14,550</u>	<u>75,000</u>	<u>203,286</u>	<u>1,028,470</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £	1994 £
Profit for the financial year	414,174	358,661
Dividends	(69,705)	(45,165)
Issue of share capital	21,750	2,500
Redemption of share capital	-	(103,831)
Net addition to shareholders' funds	<u>366,219</u>	<u>212,165</u>
Opening shareholders' funds	<u>1,264,887</u>	<u>1,052,722</u>
Closing shareholders' funds	<u>1,631,106</u>	<u>1,264,887</u>

22. FINANCIAL COMMITMENTS

	1995 £	1994 £
Capital commitments		
Contracted for but not provided	-	-
Authorised but not yet contracted for	<u>32,850</u>	<u>45,000</u>

Operating lease commitments

At 31 December 1995, the company has annual commitments under non-cancellable operating leases as set out below:

	Land and buildings £	Other £
Leases which expire:		
Within one year	-	7,135
Within two to five years	<u>50,000</u>	<u>77,534</u>
	<u>50,000</u>	<u>84,669</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

22. FINANCIAL COMMITMENTS (continued)

Other commitments

At 31 December 1995 the company has other annual commitments as set out below:

	1995 £	1994 £
Amounts due:		
Within two to five years	29,000	30,000

23. PENSION COSTS

The contributions paid to the defined benefit scheme amounted to £189,462 (1994 - £188,903). Contributions outstanding at the year end were £85,850 (1994 - £37,094).

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 1993 using the projected unit 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 £1,116,700 which represented 107% of the benefits accrued to members at the valuation date after allowing for future increases in earnings.

24. BANK LOANS AND OVERDRAFT

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