

**Touche  
Ross**

Deloitte Touche  
Tohmatsu  
International



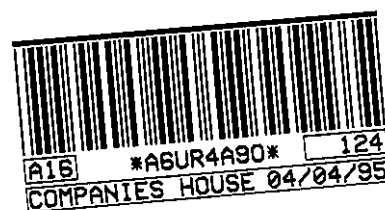
Company Registration No. 2311487

## **DELCAM INTERNATIONAL PLC**

### **Report and Financial Statements**

**31 December 1994**

**Touche Ross & Co.  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN**





**REPORT AND FINANCIAL STATEMENTS 1994**

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**REPORT AND FINANCIAL STATEMENTS 1994**

**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 OHJ

**BANKERS**

Midland Bank plc  
130 New Street  
Birmingham  
B2 4JU

**SOLICITORS**

Wragge & Co.  
55 Colmore Row  
Birmingham  
B3 2AS

**AUDITORS**

Touche Ross & Co.  
Chartered Accountants  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN



## **CHAIRMAN'S REPORT**

### **Results**

1994 has been a most satisfactory year with sales at £7.8 million showing an increase of 19% over the previous year and profit before tax amounting to £500,000, which is an increase of 52% over that for 1993.

### **Dividend**

The Board recommend payment of an annual dividend of 1.5p net per share reflecting the increased profit achieved in the year.

### **Review**

It is most pleasing to report that Tooling Services made a significant contribution to the increase in company profit. The workshop and programming departments are key factors of the company combining the provision of essential demonstration and testing facilities with the programming and/or manufacture of complex shapes for external customers. In recent years, the results have been disappointing but a reorganisation, capital expenditure, targeting more appropriate outlets together with the efforts of the staff has now placed the department on a much more secure basis.

Software sales across the world have been variable. In Europe, sales were lower in both UK and Germany. German sales were particularly disappointing as Germany was once our best outlet. We have now established a direct presence there, rather than selling exclusively through distributors and this should reverse the downward trend in this most important market. UK sales are also improving.

Italy has continued to be a good market for sales, but our company there during the last three years has struggled with increasing need for working capital. Financial and management restructuring should resolve the problem.

In East Europe, we increased sales over 1993 only in the Czech Republic, but Russia, although lower, still did well.

Far East sales in total improved but Japan achieved only 30% of the 1993 sales, and China albeit a new territory was disappointing. New distributors are being appointed in Japan.

The performance in the Americas was particularly good, North American sales up 50% and Brazil up four fold.

Product development is the seed corn of the company and investment in this area has continued. The department is well directed, and with the appropriate input from Sales and Marketing, new products have been defined and programmes for their introduction agreed.

### **Prospects**

We have a skilled staff, a wide marketing base and a product respected world-wide. We have our new product plans to take us through to the millennium. The current year has started well and I shall be disappointed if the profit in 1995 does not exceed that of the last year.

I should again like to thank all the staff for their effort in further developing the company and our advisers, particularly Will Rogers and David Butler.

**T R KINSEY**

Chairman

9 March 1995



## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

### **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 £45,165 (1993 - £37,510). Profits transferred to reserves are £284,665 (1993 - £195,408).

### **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 1994.

### **SHARE CAPITAL**

During the year, 10,000 'A' Ordinary shares were issued for a total consideration of £2,500 and the 'B' Ordinary shares were redeemed at an aggregate value of £103,831. Both the issue and the redemption were for the general development of the business.

A further 85,000 'A' Ordinary shares were issued for a consideration of £21,250 on 31 January 1995.

### **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:

	<b>Ordinary shares of 10p each</b>	
	<b>1994</b>	<b>1993</b>
T R Kinsey	20,000	20,000
H R O Humphreys	566,142	566,142
E B Lambourne	566,142	566,142
C P Martell (appointed 14 November 1994)	100,000	100,000

Mr C P Martell, having been appointed in the year, retires and, being eligible, offers himself for re-election.

### **AUDITORS**

Touche Ross & Co. 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 March 1995

## **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

Touche Ross & Co.  
Colmore Gate  
2 Colmore Row  
Birmingham B3 2BN

Telephone: National 0121 200 2211  
International + 44 121 200 2211  
Fax (Gp. 3): 0121 236 1513

## AUDITORS' REPORT TO THE MEMBERS

### 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 1994 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

14 March 1995.



## Chartered Accountants

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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 1994.

#### 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

14 March 1995.




**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1994**

	Note	1994 £	1993 £
<b>TURNOVER</b>	2	7,792,819	6,531,909
Cost of sales		(4,315,169)	(3,714,141)
Gross profit		<u>3,477,650</u>	<u>2,817,768</u>
Distribution costs		(1,323,072)	(986,106)
Administrative expenses		(1,577,011)	(1,351,309)
Relocation costs		-	(72,525)
Other operating income	4	<u>48,840</u>	<u>48,000</u>
<b>OPERATING PROFIT</b>	5	<u>626,407</u>	<u>455,828</u>
Other interest receivable	6	7,785	15,103
Interest payable and similar charges	7	<u>(134,045)</u>	<u>(143,019)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>500,147</u>	<u>327,912</u>
Tax on profit on ordinary activities	8	<u>(141,486)</u>	<u>(94,994)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING PROFIT FOR THE FINANCIAL YEAR</b>		<u>358,661</u>	<u>232,918</u>
Dividends		(45,165)	(37,510)
Premium on redemption of shares		<u>(28,831)</u>	<u>-</u>
<b>PROFIT FOR THE YEAR</b>	19	<u><u>284,665</u></u>	<u><u>195,408</u></u>

**NOTE OF HISTORICAL COST PROFIT AND LOSSES**

	1994 £	1993 £
Profit on ordinary activities before taxation	500,147	327,912
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>4,517</u>	<u>4,517</u>
Historical cost profit on ordinary activities before taxation	<u><u>504,664</u></u>	<u><u>332,429</u></u>
Historical cost profit for the year retained after taxation and dividends	<u><u>289,182</u></u>	<u><u>199,925</u></u>

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 1994**

	Note	£	1994 £	£	1993 £
<b>FIXED ASSETS</b>					
Tangible assets	9		2,206,267		2,268,098
Investments	10		271,996		198,141
			<u>2,478,263</u>		<u>2,466,239</u>
<b>CURRENT ASSETS</b>					
Stocks	11	103,275		98,898	
Debtors	12	2,243,421		1,557,501	
Cash at bank and in hand		-		373,342	
		<u>2,346,696</u>		<u>2,029,741</u>	
<b>CREDITORS: amounts falling due within one year</b>	13	(2,568,637)		(2,248,565)	
<b>NET CURRENT LIABILITIES</b>			<u>(221,941)</u>		<u>(218,824)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			2,256,322		2,247,415
<b>CREDITORS: amounts falling due after more than one year</b>	14		(775,135)		(947,893)
<b>DEFERRED CREDIT</b>	16		<u>(216,300)</u>		<u>(246,800)</u>
			<u>1,264,887</u>		<u>1,052,722</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		301,100		375,100
Share premium account	19		1,500		-
Revaluation reserve	19		207,803		212,320
Capital redemption reserve	19		75,000		-
Profit and loss account	19		679,484		465,302
<b>EQUITY SHAREHOLDERS' FUNDS</b>	20		<u>1,264,887</u>		<u>1,052,722</u>

These financial statements were approved by the Board of Directors on 9 March 1995.

Signed on behalf of the Board of Directors

H R O HUMPHREYS

Director


**CASH FLOW STATEMENT**  
**Year ended 31 December 1994**

	1994	1993
	£	£
<b>Net cash inflow from operating activities</b>	723,564	764,666
<b>Returns on investments and servicing of finance</b>		
Interest received	7,785	15,103
Interest paid	(96,666)	(91,602)
Interest element of finance lease rentals payments	(35,857)	(30,643)
Dividend paid	(37,510)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>	(162,248)	(107,142)
<b>Taxation</b>		
Corporation tax paid (including advance corporation tax)	(126,238)	(38,777)
<b>Investing activities</b>		
Payments to acquire investments	(87,004)	(50,790)
Repayment of loan by associated undertaking	-	10,000
Payments to acquire tangible fixed assets	(144,415)	(141,507)
<b>Net cash outflow from investing activities</b>	(231,419)	(182,297)
<b>Net cash inflow before financing</b>	203,659	436,450
<b>Financing</b>		
Grants received during year	-	60,000
Loan repayments	(277,230)	(165,000)
Capital element of finance lease repayments	(204,870)	(221,532)
Premium on redemption of share capital	(28,381)	-
Redemption of share capital	(75,000)	-
Issue of share capital	2,500	-
<b>Net cash outflow from financing</b>	(583,431)	(326,532)
<b>(Decrease)/increase in cash and cash equivalents</b>	(379,772)	109,918

**NOTES TO THE CASH FLOW STATEMENT**  
**Year ended 31 December 1994**

**1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>1994</b>	<b>1993</b>
	<b>£</b>	<b>£</b>
Operating profit	626,407	455,828
Depreciation charges	434,782	409,399
Release of government grants	(30,500)	(30,500)
Provision against carrying value of investment	11,247	17,731
Investment written off	1,902	-
(Increase) in stocks	(4,377)	(36,909)
(Increase) in debtors	(685,519)	(95,976)
Increase in creditors	369,622	45,093
	<u>723,564</u>	<u>764,666</u>
Net cash inflow from operating activities		

**2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	<b>1994</b>	<b>1993</b>
	<b>£</b>	<b>£</b>
Balance at 1 January	373,342	263,424
Net cash inflow	(379,772)	109,918
	<u>(6,430)</u>	<u>373,342</u>
Balance at 31 December		

**3. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	<b>Share capital (including share premium account)</b>		<b>Finance lease obligations</b>		<b>Loans and deferred consideration</b>	
	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 January	375,100	375,100	400,473	204,824	1,002,230	1,167,230
Redemption of share capital	(75,000)	-	-	-	-	-
Cash outflow from financing	-	-	(204,870)	(221,532)	(277,230)	(165,000)
Inception of finance lease contracts	-	-	228,536	417,181	-	-
Issue of share capital	2,500	-	-	-	-	-
	<u>302,600</u>	<u>375,100</u>	<u>424,139</u>	<u>400,473</u>	<u>725,000</u>	<u>1,002,230</u>
Balance at 31 December						

**4. 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 £228,536.

## **NOTES TO THE ACCOUNTS**

### **Year ended 31 December 1994**

#### **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. The results for 1992 include a prior year adjustment to reflect the inclusion of the income as turnover.

##### **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	10% straight line

##### **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 10 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 1994**

**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 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**

	1994 £	1993 £
Turnover is analysed as follows:		
United Kingdom	4,369,757	3,784,936
Exports	3,423,062	2,746,973
	<u>7,792,819</u>	<u>6,531,909</u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1994 £	1993 £
<b>Directors' emoluments</b>		
Fees	7,900	7,800
Management remuneration	103,649	91,808
	<u>111,549</u>	<u>99,608</u>

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

Remuneration of the chairman	7,900	7,800
Remuneration of highest paid director (salary and taxable benefits)	<u>47,509</u>	<u>43,996</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

	<b>1994</b>	<b>1993</b>
	<b>No</b>	<b>No</b>
<b>Emoluments of other directors, excluding pension contributions, were within the following scales:</b>		
£ 0 - £ 5,000	1	-
£ 40,001 - £45,000	-	1
£ 45,001 - £ 50,000	1	-
	<u>1</u>	<u>-</u>
<b>Average number of persons employed</b>		
Production staff	94	87
Sales and distribution staff	25	21
Administration staff	9	9
	<u>128</u>	<u>117</u>
	<b>£</b>	<b>£</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	2,488,713	2,081,037
Social security costs	212,625	180,147
Pension costs	128,563	103,582
	<u>2,829,901</u>	<u>2,364,766</u>

**4. OTHER OPERATING INCOME**

	<b>1994</b>	<b>1993</b>
	<b>£</b>	<b>£</b>
Rental income	<u>48,840</u>	<u>48,000</u>

**5. OPERATING PROFIT**

	<b>1994</b>	<b>1993</b>
	<b>£</b>	<b>£</b>
<b>Operating profit is after charging:</b>		
Depreciation and amortisation		
Owned assets	228,852	246,005
Leased assets	205,930	163,394
Rentals under operating leases		
Hire of plant and machinery	111,140	122,867
Land and buildings	56,700	70,000
Auditors' remuneration		
Audit services	7,500	6,500
Non audit services	5,500	4,000
	<u>30,500</u>	<u>30,500</u>
<b>and crediting the following:</b>		
Government grants released to profit and loss account	<u>30,500</u>	<u>30,500</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**6. OTHER INTEREST RECEIVABLE**

	1994 £	1993 £
Bank interest	<u>7,785</u>	<u>15,103</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	1994 £	1993 £
Bank overdraft interest	17,650	8,515
Other loans:		
Repayable within five years	80,538	103,861
Finance charges payable - finance leases	<u>35,857</u>	<u>30,643</u>
	<u>134,045</u>	<u>143,019</u>

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1994 £	1993 £
United Kingdom corporation tax at 33% less marginal relief (1993 - 25%) based on the profit for the year	148,951	88,006
Adjustments to prior years' tax provisions		
Corporation tax	<u>(7,465)</u>	<u>6,988</u>
	<u>141,486</u>	<u>94,994</u>

The tax charge for the year is disproportionate to the profit due to the movement on unprovided deferred tax.