

**DELCAM PLC**

**Report and Financial Statements**

**31 December 1999**



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

**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

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

**SECRETARY AND REGISTERED OFFICE**

K Singh, Talbot Way, Small Heath Business Park, Birmingham, B10 0HJ

**NOMINATED BROKER**

Tilney & Co., Royal Liver Building, Pier Head, Liverpool, L3 1NY

**NOMINATED ADVISER**

Arthur Andersen, 1 Surrey Street, London, WC2R 2PS

**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

**REGISTRARS**

Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA

## **CHAIRMAN'S STATEMENT**

### **Financial Highlights**

Following the better performance reported for the first half of 1999, trading in the second half further improved over that of 1998.

Increased sales were achieved in most of the 50 countries in which Delcam is now represented. Total sales for the year were at record levels of £15,774,254 compared with £13,735,249 in 1998 contributing to a record profit before tax of £1,042,075 compared with a loss of £1,418,549 in 1998. Earnings per share were 13.5p compared with a loss per share of 23.7p in 1998.

The improved sales enabled us to continue our level of investment in product and market development. At the same time improved cash generation and strict cash control have enabled us to improve the net cash position by £1,605,917 during the year. Our new building extension has been fully occupied, and a re-valuation has resulted in a surplus of £2,267,473.

### **Dividend**

As a result of the improved profitability, the Board proposes to pay a final dividend of 1.8p per Ordinary Share (1998 – nil) which, combined with the interim dividend of 0.7p, makes a total of 2.5p for the year per Ordinary Share (1998 – nil). This is covered 5.4 times by profits for the financial year. The final dividend will be paid on 12<sup>th</sup> May to shareholders on the register at the close of business on 14<sup>th</sup> April 2000.

The shares are expected to be quoted ex-dividend on 10 April 2000.

### **Review**

This is an excellent performance with a return to profitability and the dividend list. This is largely due to the rapid and positive acceptance of our new Power Solution range of software and a strong recovery in the Far East.

We have extended greatly the functionality within both of our key products – our design software PowerSHAPE and our manufacturing system PowerMILL. These developments have enabled us to broaden the markets for both products, with PowerSHAPE now more suited to product design as well as tooling design and PowerMILL offering a much wider range of machining options. We have also embraced new distribution technology, with evaluation copies of PowerShape being widely distributed using Internet, as well as traditional, distribution methods.

Sales of our engraving and woodworking software, ArtCAM, continued strongly. This program has been made available to every secondary school in the UK, as part of the CAD/CAM in Schools Initiative being undertaken by the Department for Education and Employment.

We have worked closely with a number of equipment manufacturers to enable our software to be provided within a total customer solution and the Company has successfully negotiated a number of collaborative agreements. ArtCAM is supplied by a number of manufacturers of machine tools. In 1999, an agreement was signed with Romer for our inspection software, PowerINSPECT, to be supplied with the company's measuring arms. This year, a development agreement has been signed with the leading Metrology Company, Renishaw, which will enable the supply of our reverse engineering software to many of its customers.

Our Internet site has grown increasingly popular and provides a significant source of enquiries for our products. During this year, it is planned to offer some low-cost products for sale via the Internet and to launch a web-based CAD data translation service.

## **CHAIRMAN'S STATEMENT**

### **Prospects**

We made excellent progress in 1999 and the improved revenues have allowed us to increase the resources we can devote to the development and marketing of new products leading to a strengthened product line with further releases planned in 2000. This, together with our global presence and strong international sales and support infrastructure, provides a platform for a future of sustained growth. The current year has started satisfactorily and is in line with expectations.

This progress could not have been made without the dedicated support and commitment of our staff to whom I express sincere thanks.

T R M KINSEY

Chairman

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

**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 review of activities, development and progress of the Group.

**DIVIDENDS AND TRANSFERS TO RESERVES**

An interim dividend of £41,452 was paid in the year (1998 - £Nil). The directors recommend the payment of a final dividend of £106,590 (1998 - £Nil). Profits transferred to reserves are £652,749 (1998 - loss of £1,403,077).

**LAND AND BUILDINGS**

A valuation of the Company's land and buildings was carried out on 7 March 2000 by Lambert Smith Hampton, Consultant Surveyors and Valuers, at open market value with existing use basis. This resulted in a surplus of £2,267,473 on 31 December 1999 net book value. This surplus has been incorporated in to these financial statements.

**DIRECTORS AND THEIR INTERESTS**

Included on the Board of Directors are two non-executive directors, a number which is considered appropriate for a group of this size.

T R M Kinsey is the non-executive Chairman. He joined the Company as Chairman in 1989. He has been a non-executive director of several companies and is a Fellow of the Royal Academy of Engineering.

P T Miles was appointed as a non-executive director in April 1997. He is a former corporate finance partner in Deloitte & Touche. He serves as a non-executive director to several companies.

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		Ordinary C shares of 10p each	
	1999	1998	1999	1998
T R M Kinsey	33,330	33,330	1,667	1,667
P T Miles	105,000	100,000	-	-
H R O Humphreys	951,576	941,576	1,667	1,667
E B Lambourne	914,637	920,237	1,667	1,667
C P Martell	161,004	169,003	1,667	1,667
K Singh	53,946	80,363	1,667	1,667

During the period to 27 March 2000, K Singh sold 5,000 shares. There were no other changes in the directors' shareholdings after the year end.

In accordance with the Company's Articles of Association, K Singh and P T Miles retire by rotation and, being eligible, offer themselves for re-election. Both directors have service contracts which expire by serving 12 months' and 6 months' notice of termination respectively.

**DIRECTORS' REPORT****DIRECTORS AND THEIR INTERESTS****Share option schemes**

The Company has continued to operate three share option schemes for its employees.

**(i) Approved Scheme**

On 6 June 1997 approved share options were granted in respect of Ordinary shares (formerly 'A' Ordinary shares), which represent 230,386 Ordinary shares in aggregate, to employees and directors at an exercise price of 280p (168p following dilution resulting from the bonus issue on 15 July 1997) per Ordinary share. The options are exercisable within the period of 3 to 10 years following the date of grant.

**(ii) Unapproved Scheme**

On 6 June 1997 unapproved share options were granted in respect of Ordinary shares, which represent 25,890 Ordinary shares in aggregate, to employees and directors at an exercise price of 260p (diluted to 156p) per Ordinary share, and Ordinary shares which represent 19,199 Ordinary shares in aggregate to employees and directors at an exercise price of 20p (diluted to 12p) per Ordinary share. The options are exercisable within the period of 3 to 10 years following the date of grant.

The unapproved scheme is for employees who were granted options for which the aggregate market price of Ordinary shares exceed £30,000.

**(iii) Share Save Scheme**

126,567 'C' Ordinary shares have been issued to employees and directors as per note 21. These are not fully paid. Payment is being made over four years.

Directors have no interests in the unapproved share option scheme, interests in 'C' Ordinary shares as above, and interests in the approved share option scheme are as follows:

	Options held 1999	Granted during the year 1999 1998		Exercise price	Date from which exercisable	Expiry date
T R M Kinsey	3,333	-	-	168p	6 June 2000	5 June 2007
H R O Humphreys	3,333	-	-	168p	6 June 2000	5 June 2007
E B Lambourne	3,333	-	-	168p	6 June 2000	5 June 2007
C P Martell	3,333	-	-	168p	6 June 2000	5 June 2007
K Singh	3,333	-	-	168p	6 June 2000	5 June 2007

At 31 December 1999 the market price of the shares was 205p. During the year the shares traded between a low of 46.5p and a high of 250p. As at 31 March 1999, no further share options have been granted to the directors.

**SERVICE CONTRACTS**

Executive directors have service contracts with the Company that expire by serving 12 months notice of termination.

Non-executive directors have service contracts with the Company that expire by serving six months notice of termination.

**DIRECTORS' REPORT****DELCAM EMPLOYEE BENEFIT TRUST**

On 25 February 1997 the Company approved, adopted and established the Delcam Employee Benefit Trust. A summary of the Trust Deed is as follows:

- (a) It has been established that the original trustee is a company wholly owned and controlled by Delcam and called Delcam Trustees Limited.
- (b) A beneficiary of the Delcam Employee Benefit Trust is any person who at a material time is a bona fide employee, a former employee of any Group company, or the husband, wife, widow, widower or child (except child under 18 years of age) of any bona fide employee or former employee of a Group company.
- (c) Any company within the Group may from time to time at its sole discretion transfer pay or credit sums of money to the Trustees to be held in the terms of the Delcam Employee Benefit Trust.
- (d) The primary objectives of the Delcam Employee Benefit Trust are to hold the capital and income of the trust fund upon trust for all or such of the beneficiaries.

The Trustees may accumulate the income of the trust fund by investing it and may apply the income of the trust fund to or for the benefit of all beneficiaries as the Trustees may from time to time in their absolute discretion think fit.

**SUBSTANTIAL SHAREHOLDINGS**

At 27 March 2000, so far as the Company is aware, the only persons, other than directors, holding an interest comprising 3% or more of the Ordinary share capital of the Company were:

	Number of Ordinary shares	Number of 'C' Ordinary shares	Percentage of issued share capital
S M Hobbs	289,566	1,667	4.89
N K Whalley	380,714	-	6.43

**YEAR 2000**

The Company encountered no problems in the processing of data or operation of electronic equipment affected by the transition from 1999 to 2000. All systems had been confirmed as compliant prior to 31 December 1999. The directors are still aware of the associated risks and continue to be alert to any potential problems. The costs of this transition were not material.

**EMPLOYEES**

It is Group policy to provide employment opportunities and retraining where possible for disabled people and to care for people who become disabled whilst in the Group's employment. The Group operates an equal opportunities employment policy.

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. At 31 December 1999, the Company's trade creditors represented 33 days (1998 - 48 days) of annual purchases.



**DIRECTORS' REPORT****FINANCIAL INSTRUMENTS**

The Group's principal financial instruments are amounts receivable from customers, cash, foreign currency, bank overdrafts and bank loans.

The Group's policy for the financing of its business is principally by the use of a mixture of share capital, retained earnings and bank borrowings.

No interest rate hedging or trading in financial instruments was entered into during the year under review.

**Credit risk**

The Group rely on maintaining a high quality customer base and place emphasis on good credit management.

**Cash flow risk**

This is managed by strict control over debtors and application of credit limits.

**Interest rate risk**

At the present time, the directors do not consider it necessary to use other measures to control this risk. The Group does not have significant overseas borrowings.

**Liquidity risk**

The Group's assets are principally financed by secured floating rate bank loans and overdrafts. Interest on the bank facilities is payable at variable rates above United Kingdom base rates.

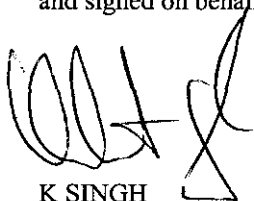
**Foreign currency risk**

The Group has overseas subsidiaries as detailed on page 25. Their revenues and expenses are denominated substantially in their local currencies.

**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

**CORPORATE GOVERNANCE**

As a company listed on the Alternative Investment Market of the London Stock Exchange, Delcam PLC is not required to comply with the Combined Code ("the Code") adopted by the London Stock Exchange. However, the Board of Directors has considered the effects of the Code and taken steps to comply with the Code insofar as it can be applied practically, given the size of Delcam and the nature of its operations.

The Audit Committee comprising the two non-executive directors Mr T R M Kinsey and Mr P T Miles has met twice during the year.

The Directors also acknowledge their responsibility for the Group's system of internal financial control of which the objectives are:

- a) Safeguarding Group assets.
- b) Ensuring proper accounting records are maintained.
- c) Ensuring that the financial information used within the business and for publication is reliable.

The key procedures that have operated during the financial year are set out below:

- a) The Board meets regularly to review all aspects of the Group's performance concentrating mainly on financial performance, business risks and development.
- b) A number of matters are reserved for the Board's specific approval including major capital expenditure, banking and dividend policy.

In establishing the systems of financial control, the directors have implemented a control environment, risk management procedures and financial reporting processes appropriate to the size of the Group. Further procedures will continue to be adopted in respect of all the Group's activities, especially those overseas to further improve financial control.

After making appropriate enquiries that the Group has adequate resources to continue in operation for the foreseeable future, the Board considers that the Group's finances are sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Remuneration Committee consists of two non-executive directors, Mr T R M Kinsey and Mr P T Miles.

The remuneration of the non-executive directors is determined by the Board.

At present the committee annually reviews the level of directors' remuneration packages. Disclosure of directors' remuneration is provided in note 3 to the financial statements.

**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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **AUDITORS' REPORT TO THE MEMBERS OF DELCAM PLC**

We have audited the financial statements on pages 11 to 33 which have been prepared under the accounting policies set out on pages 18 and 19.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 8 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

Birmingham

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1999**

	Note	1999 £	1998 £
<b>TURNOVER</b>	2	15,774,254	13,735,249
Cost of sales		(5,886,850)	(6,772,138)
Gross profit		9,887,404	6,963,111
Distribution costs		(4,004,251)	(3,360,770)
Administrative expenses		(4,709,672)	(4,786,922)
Other operating income/(expenses)		55,740	23,460
<b>OPERATING PROFIT/(LOSS)</b>	4	1,229,221	(1,161,121)
Income from interest in associates		58,289	38,797
Interest receivable and similar income	5	11,108	25,364
Interest payable and similar charges	6	(256,543)	(321,589)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,042,075	(1,418,549)
Tax on profit/(loss) on ordinary activities	7	(218,234)	225
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		823,841	(1,418,324)
Equity minority interests	20	(23,050)	15,247
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	8	800,791	(1,403,077)
Dividends	9	(148,042)	-
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>	22	652,749	(1,403,077)
<b>Basic earnings/(loss) per Ordinary share of 10p</b>		13.5p	(23.7p)
<b>Diluted earnings/(loss) per Ordinary share of 10p</b>	10	13.2p	(23.1p)
<b>Net dividend per share of 10p</b>	9	2.5p	-

All activities derive from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 1999**

	<b>Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Profit/(loss) attributable to members of the Company	652,749	(1,403,077)
Foreign exchange translation differences on foreign currency net investment in subsidiaries and associated undertakings	(12,844)	22,840
Building revaluation surplus	<u>2,267,473</u>	<u>-</u>
Total recognised gains/(losses) for the year	<u><u>2,907,378</u></u>	<u><u>(1,380,237)</u></u>

**NOTE OF HISTORICAL COST PROFIT AND LOSSES**  
**Year ended 31 December 1999**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities before taxation	1,042,075	(1,418,549)
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/(loss) on ordinary activities before taxation	<u><u>1,046,592</u></u>	<u><u>(1,414,032)</u></u>
Historical cost profit/(loss) for the year retained after taxation and dividends	<u><u>657,266</u></u>	<u><u>(1,398,560)</u></u>

**CONSOLIDATED BALANCE SHEET**  
**31 December 1999**


	Note	£	1999 £	£	1998 £
<b>FIXED ASSETS</b>					
Tangible assets	11		6,638,122		4,852,047
Investments	12		311,946		260,743
			<u>6,950,068</u>		<u>5,112,790</u>
<b>CURRENT ASSETS</b>					
Stocks	13	101,155		238,979	
Debtors	14	4,633,974		4,778,339	
Cash at bank and in hand		534,447		282,280	
		<u>5,269,576</u>		<u>5,299,598</u>	
<b>CREDITORS: amounts falling due within one year</b>	15	(3,934,363)		(4,501,679)	
<b>NET CURRENT ASSETS</b>			<u>1,335,213</u>		<u>797,919</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			8,285,281		5,910,709
<b>CREDITORS: amounts falling due after more than one year</b>	16		(1,490,566)		(2,153,118)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	18		(14,774)		(4,413)
<b>DEFERRED INCOME</b>	19		(1,016,880)		(930,335)
<b>EQUITY MINORITY INTERESTS</b>	20		(131,447)		(98,607)
			<u>5,631,614</u>		<u>2,724,236</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	21		604,823		604,823
Share premium account	22		1,809,053		1,809,053
Revaluation reserve	22		2,452,691		189,735
Other reserves	22		1,703		17,343
Profit and loss account	22		763,344		103,282
<b>SHAREHOLDERS' FUNDS</b>	23		<u>5,631,614</u>		<u>2,724,236</u>
Non-equity shareholders' funds			12,657		12,657
Equity shareholders' funds			<u>5,618,957</u>		<u>2,711,579</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>			<u>5,631,614</u>		<u>2,724,236</u>

These financial statements were approved by the Board of Directors on 27 March 2000.

Signed on behalf of the Board of Directors

H R O HUMPHREYS

Director



**BALANCE SHEET**  
**31 December 1999**

	Note	£	1999 £	£	1998 £
<b>FIXED ASSETS</b>					
Tangible assets	11		6,200,880		4,448,419
Investments	12		<u>875,637</u>		<u>772,150</u>
			7,076,517		5,220,569
<b>CURRENT ASSETS</b>					
Stocks	13	35,486		152,947	
Debtors	14	<u>4,145,877</u>		<u>4,319,709</u>	
		4,181,363		4,472,656	
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(2,936,793)</u>		<u>(3,611,490)</u>	
<b>NET CURRENT ASSETS</b>			<u>1,244,570</u>		<u>861,166</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			8,321,087		6,081,735
<b>CREDITORS: amounts falling due after more than one year</b>	16		(1,490,566)		(2,153,118)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	18		(12,977)		-
<b>DEFERRED INCOME</b>	19		<u>(1,016,880)</u>		<u>(930,335)</u>
			<u>5,800,664</u>		<u>2,998,282</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	21		604,823		604,823
Share premium account	22		1,809,053		1,809,053
Revaluation reserve	22		2,452,691		189,735
Profit and loss account	22		<u>934,097</u>		<u>394,671</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			<u>5,800,664</u>		<u>2,998,282</u>

These financial statements were approved by the Board of Directors on 27 March 2000.

Signed on behalf of the Board of Directors

H R O HUMPHREYS

Director





**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 1999**

	Note	1999 £	1998 £
Cash flow from operating activities	(i)	2,300,097	88,212
Returns on investments and servicing of finance	(ii)	(245,435)	(296,225)
Taxation		(108,473)	(90,061)
Capital expenditure and financial investment	(ii)	(298,820)	(748,715)
Equity dividends paid		<u>(41,452)</u>	<u>(53,295)</u>
Cash inflow/(outflow) before use of liquid resources and financing		1,605,917	(1,100,084)
Financing	(ii)	<u>(769,507)</u>	<u>142,933</u>
Increase/(decrease) in cash in the year		<u>836,410</u>	<u>(957,151)</u>

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Reconciliation of net cash flow to movement in net debt	(iii)	1999 £	1998 £
Increase/(decrease) in cash in the year		836,410	(957,151)
Cash inflow/(outflow) from increase in debt and lease financing		<u>769,507</u>	<u>(142,933)</u>
Change in net debt resulting from cash flows		1,605,917	(1,100,084)
New finance leases		(28,064)	(745,032)
Translation difference		<u>39,441</u>	<u>20,135</u>
Movement in net debt in the year		1,617,294	(1,824,981)
Net debt at 1 January		<u>(3,796,528)</u>	<u>(1,971,547)</u>
Net debt at 31 December		<u>(2,179,234)</u>	<u>(3,796,528)</u>

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 1999

## (i) RECONCILIATION OF OPERATING PROFIT/(LOSS) TO OPERATING CASH FLOWS

	1999 £	1998 £
Operating profit/(loss)	1,229,221	(1,161,121)
Depreciation	831,792	881,671
Release of government grants	(66,029)	(74,475)
Profit on sale of tangible fixed assets	(8,437)	(3,426)
Decrease/(increase) in stocks	137,824	(66,303)
Decrease in debtors	88,312	287,783
Increase in creditors	79,858	216,659
Exchange differences	7,556	7,424
<b>Net cash inflow from operating activities</b>	<b>2,300,097</b>	<b>88,212</b>

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

	1999 £	1998 £
<b>Returns on investments and servicing of finance</b>		
Interest received	11,108	25,364
Interest paid	(168,081)	(241,492)
Interest element of finance lease rental payments	(88,462)	(80,097)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(245,435)</b>	<b>(296,225)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(378,820)	(733,615)
Proceeds from disposal of tangible fixed assets	35,000	16,742
Government grants received	45,000	-
Payments to acquire investments	-	(31,842)
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(298,820)</b>	<b>(748,715)</b>
<b>Financing</b>		
Loan repayments	(183,332)	(225,000)
Loan advances	-	800,000
Capital element of finance lease repayments	(586,175)	(432,067)
<b>Net cash (outflow)/inflow from financing</b>	<b>(769,507)</b>	<b>142,933</b>

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 1999

## (iii) ANALYSIS OF NET DEBT

	At 1 Jan 1999 £	Cash flow £	Exchange movements £	Other non-cash changes £	At 31 Dec 1999 £
Cash in hand and at bank	282,280	235,001	17,166	-	534,447
Bank overdraft	(1,158,441)	601,409	22,275	-	(534,757)
		<u>836,410</u>			
Debt due within one year	(183,332)	183,332	-	(333,332)	(333,332)
Debt due after one year	(1,316,668)	-	-	333,332	(983,336)
Finance leases	(1,420,367)	586,175	-	(28,064)	(862,256)
		<u>769,507</u>			
	<u>(3,796,528)</u>	<u>1,605,917</u>	<u>39,441</u>	<u>(28,064)</u>	<u>(2,179,234)</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 £28,064 (1998 - £745,032).

## NOTES TO THE ACCOUNTS

### Year ended 31 December 1999

#### 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 1999.

##### 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 exceeded the values attributable to such net assets, the difference was treated as purchased goodwill and was previously written off directly to reserves in the year of acquisition as a matter of accounting policy. The cumulative amount of goodwill written off against reserves as at 31 December 1999 amounted to £50,468 (1998 - £50,468). The negative goodwill added to reserves as at 31 December 1999 was £9,712 (1998 - £9,712).

In accordance with FRS 10, effective for years ending on or after 23 December 1998, goodwill is now capitalised and amortised over its useful economic life which the directors consider to be 20 years. Negative goodwill is written back in line with the realisation of the non-monetary assets resulting in a period of seven years.

On any subsequent disposal of the businesses to which the above goodwill relates a charge or credit to the profit and loss account will be made.

##### 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	10% - 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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999****1. ACCOUNTING POLICIES (continued)****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.

**Government grants**

These are received for capital expenditure and development costs. This income is amortised over seven years.

**Investments**

Except as stated below, investments held as fixed assets are stated at cost less provision for impairment.

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 1999. 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.

**Changes in accounting policies**

The Group has adopted Financial Reporting Standards 12 and 13. There has been no material effect on either the current or prior year's results.

**Financial instruments**

The Group does not enter into derivative contracts. The Group's only financial instruments are amounts receivable from customers, cash, foreign currency, bank overdrafts and bank loans.

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 2. ANALYSIS OF TURNOVER, OPERATING PROFITS AND NET ASSETS

	1999 £	1998 £
(a) The turnover attributable to each of the Group's geographical markets is:		
United Kingdom	5,329,920	5,472,693
Rest of the World	10,444,334	8,262,556
	<u>15,774,254</u>	<u>13,735,249</u>

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

	Turnover		Operating (loss)/profit		Net assets	
	1999 £	1998 £	1999 £	1998 £	1999 £	1998 £
United Kingdom	11,482,698	10,459,237	1,073,841	(1,030,558)	5,253,204	2,464,222
Rest of the World	4,291,556	3,276,012	155,380	(130,563)	378,410	260,014
	<u>15,774,254</u>	<u>13,735,249</u>	<u>1,229,221</u>	<u>(1,161,121)</u>	<u>5,631,614</u>	<u>2,724,236</u>

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999 £	1998 £
<b>Directors' emoluments</b>		
Fees	29,802	21,146
Management remuneration	273,345	220,447
Contributions in respect of a defined benefit pension scheme	21,398	17,189
	<u>324,545</u>	<u>258,782</u>

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

Remuneration of highest paid director (salary and taxable benefits)	72,259	59,359
Contributions in respect of a defined benefit pension scheme	5,660	4,628
	<u>77,919</u>	<u>63,987</u>

Accrued pension benefits of highest paid director at 31 December 1999	24,350	21,500
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	No	No
Number of directors who are members of a defined benefit pension scheme	4	4

	No	No
<b>Average number of persons employed</b>		
Development and production staff	115	125
Sales and distribution staff	79	82
Administration staff	36	34
	<u>230</u>	<u>241</u>

# NOTES TO THE ACCOUNTS Year ended 31 December 1999

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

	1999 £	1998 £
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	6,103,742	5,799,120
Social security costs	684,862	602,413
Pension costs	339,465	318,663
	<u>7,128,069</u>	<u>6,720,196</u>

## 4. OPERATING PROFIT/(LOSS)

	1999 £	1998 £
<b>Operating profit/(loss) is after charging:</b>		
Depreciation and amortisation		
Owned assets	417,978	401,855
Leased assets	413,814	479,816
Rentals under operating leases		
Hire of plant and machinery	325,727	316,737
Other	168,347	176,046
Auditors' remuneration:		
Audit services – Company	23,500	21,500
Non audit services – Company	23,250	10,000
Audit services – Group	26,010	24,017
Non audit services – Group	49,128	31,767
Exceptional items		
Bad debts	-	731,686
Reorganisation costs	-	182,010
<b>and crediting the following:</b>		
Rental income	54,445	7,684
Government grants released to profit and loss account	66,029	74,475

## 5. INTEREST RECEIVABLE

	1999 £	1998 £
Bank deposit interest	<u>11,108</u>	<u>25,364</u>

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Bank overdraft interest	57,668	68,970
Other loans repayable within five years	110,413	172,272
Finance charges payable – finance leases	88,462	80,347
	<u>256,543</u>	<u>321,589</u>

**NOTES TO THE ACCOUNTS****Year ended 31 December 1999****7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	1999 £	1998 £
Taxation is based on profit/(loss) for the year and comprises:		
Corporation tax at 30.3% less marginal relief (1998 – 31%)	114,401	(79,097)
Associated undertakings	14,953	(225)
	<hr/> 129,354	<hr/> (79,322)
Over provision for corporation tax in earlier years	(47,820)	-
	<hr/> 81,534	<hr/> (79,322)
Movement in deferred taxation	10,361	4,413
Overseas taxation	126,339	74,684
	<hr/> <hr/> 218,234	<hr/> <hr/> (225)

**8. PROFIT/(LOSS) 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 £682,951 (1998 – loss of £1,435,767).

**9. DIVIDENDS**

	1999 £	1998 £
Interim paid		
0.7p per Ordinary share (1998 - Nil per 'A' Ordinary share)	41,452	-
Final proposed		
1.8p per Ordinary share (1998 - Nil per 'A' Ordinary share)	106,590	-
	<hr/> 148,042	<hr/> -

**10. EARNINGS/(LOSS) PER ORDINARY SHARE**

Basic earnings/(loss) per Ordinary share is calculated on profit/(loss) after taxation and minority interests of £800,791 (1998 - loss of £1,403,077) and on a share capital of 5,921,666 (1998 - 5,921,666) Ordinary shares of 10p each. The 'C' Ordinary shares do not form part of this calculation.

Diluted earnings/(loss) per share which take into consideration the dilution of earnings/(loss) per share if the outstanding share options were exercised, are calculated on the profit/(loss) attributable to ordinary shareholders of £800,791 (1998 – loss of £1,403,077) and on a share capital of 6,065,268 (1998 – 6,065,146) Ordinary shares of 10p each.



# NOTES TO THE ACCOUNTS Year ended 31 December 1999

## 11. TANGIBLE FIXED ASSETS

(a) Group	Long leasehold buildings £	Ownership of software £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>						
At 1 January 1999	2,978,384	702,055	1,250,635	3,385,456	38,051	8,354,581
Additions	4,225	-	16,785	385,874	-	406,884
Assets written off	-	-	-	(577,007)	-	(577,007)
Disposals	-	-	(64,396)	(87,135)	-	(151,531)
Adjustment for revaluation	2,017,391	-	-	-	-	2,017,391
Exchange differences	-	(7,989)	-	(40,556)	376	(48,169)
At 31 December 1999	5,000,000	694,066	1,203,024	3,066,632	38,427	10,002,149
<b>Accumulated depreciation</b>						
At 1 January 1999	190,472	523,716	517,228	2,243,557	27,561	3,502,534
Charge for the year	59,610	34,481	111,575	619,461	6,665	831,792
Assets written off	-	-	-	(577,007)	-	(577,007)
Disposals	-	-	(37,833)	(87,135)	-	(124,968)
Adjustment for revaluation	(250,082)	-	-	-	-	(250,082)
Exchange differences	-	(5,292)	-	(13,326)	376	(18,242)
At 31 December 1999	-	552,905	590,970	2,185,550	34,602	3,364,027
<b>Net book value</b>						
At 31 December 1999	5,000,000	141,161	612,054	881,082	3,825	6,638,122
At 31 December 1998	2,787,912	178,339	733,407	1,141,899	10,490	4,852,047
<b>(b) Company</b>						
<b>Cost or valuation</b>						
At 1 January 1999	2,978,384	600,000	1,250,635	2,796,976	26,659	7,652,654
Additions	4,225	-	16,785	233,146	-	254,156
Assets written off	-	-	-	(577,007)	-	(577,007)
Disposals	-	-	(64,396)	-	-	(64,396)
Adjustment for revaluation	2,017,391	-	-	-	-	2,017,391
At 31 December 1999	5,000,000	600,000	1,203,024	2,453,115	26,659	9,282,798
<b>Accumulated depreciation</b>						
At 1 January 1999	190,472	480,000	517,228	2,000,366	16,169	3,204,235
Charge for the year	59,610	30,000	111,575	534,755	6,665	742,605
Assets written off	-	-	-	(577,007)	-	(577,007)
Disposals	-	-	(37,833)	-	-	(37,833)
Adjustment for revaluation	(250,082)	-	-	-	-	(250,082)
At 31 December 1999	-	510,000	590,970	1,958,114	22,834	3,081,918
<b>Net book value</b>						
At 31 December 1999	5,000,000	90,000	612,054	495,001	3,825	6,200,880
At 31 December 1998	2,787,912	120,000	733,407	796,610	10,490	4,448,419

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 11. TANGIBLE FIXED ASSETS (continued)

Land and buildings were revalued in March 2000 by Lambert Smith Hampton, Consulting Surveyors and Valuers, at open market value with existing use basis at £5,000,000. If the property had not been revalued in the year, long leasehold land and buildings would have been carried in the balance sheet at 31 December 1999 at a valuation of £2,982,609 (1998 - £2,978,384) and accumulated depreciation of £250,082 (1998 - £190,472).

#### Leased assets

Included in tangible assets are assets held under finance leases and hire purchase contracts with a net book value of £930,904 (1998 - £1,316,654).

### 12. INVESTMENTS HELD AS FIXED ASSETS

(a) Group	Other investments	Interests in associated undertakings	Total
	£	£	£
<b>Cost</b>			
At 1 January 1999	130,452	90,270	220,722
Reclassification	(5,316)	5,316	-
Exchange movement	-	5,071	5,071
At 31 December 1999	125,136	100,657	225,793
<b>Share of profits retained</b>			
At 1 January 1999	-	110,416	110,416
Profits retained in year	-	43,336	43,336
Exchange movement	-	2,796	2,796
At 31 December 1999	-	156,548	156,548
<b>Provisions</b>			
At 1 January 1999 and 31 December 1999	(38,553)	-	(38,553)
<b>Negative goodwill</b>			
At 1 January 1999 and 31 December 1999	-	(31,842)	(31,842)
<b>Net book value</b>			
At 31 December 1999	86,583	225,363	311,946
At 31 December 1998	91,899	168,844	260,743

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 12. INVESTMENTS HELD AS FIXED ASSETS (continued)

(b) Company	Shares in Group undertakings £	Loans to Group undertakings £	Shares in associated undertakings £	Other investments £	Total £
<b>Cost</b>					
At 1 January 1999	590,358	43,118	52,960	130,452	816,888
Additions in year	103,487	-	-	-	103,487
Reclassification	-	-	5,316	(5,316)	-
At 31 December 1999	<u>693,845</u>	<u>43,118</u>	<u>58,276</u>	<u>125,136</u>	<u>920,375</u>
<b>Provisions</b>					
At 1 January 1999 and 31 December 1999	-	(6,185)	-	(38,553)	(44,738)
<b>Net book value</b>					
At 31 December 1999	<u>693,845</u>	<u>36,933</u>	<u>58,276</u>	<u>86,583</u>	<u>875,637</u>
At 31 December 1998	<u>590,358</u>	<u>36,933</u>	<u>52,960</u>	<u>91,899</u>	<u>772,150</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	92.5%	Italy	90,369
Delcam Malaysia	100%	Malaysia	41,086
Delcam International GmbH	100%	Germany	89,201
Delcam Japan	52%	Japan	206,695
Delcam Inc	100%	Canada	30,013
Delcam France	90%	France	113,889
Delcam China	70.6%	China	122,590
			<u>693,845</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.

### Acquisitions

During the year the following additions were made to the cost of shares held in Group undertakings:

- The share capital of Delcam International GmbH was increased from 50,000 DM to 250,000 DM requiring an investment of £66,902.
- The Company paid £36,585 in relation to the unpaid capital of Delcam China. The capital is now fully paid and no goodwill has arisen in relation to this transaction.

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 12. 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	24.45%	Taiwan
Delcam Espania	25%	Spain

Each of the associated undertakings carry on the business of agents supplying CAD/CAM systems to overseas markets, except Delcam (North) Programming Services which supplies CAD/CAM programming services in the UK.

The intangible assets (negative goodwill) of £31,842 relates to the Group share of an increase in share capital from 22% to 24.45% in Delcam Taiwan for which the Group made no payment.

#### (c) Information relating to other investments

These investments are not accounted for on an equity basis as the Group cannot exercise significant influence because of the reliability of the information available. This is due to the volatility of these economies. The effect of their results on the Group is considered to be immaterial.

Investment	Shareholding	Country of incorporation and operation
Delimex Limited	50%	Bulgaria
Delcam Spb	50%	Russia
Delcam Ural	45%	Russia
Delcam BRNO	33%	Czech Republic

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:

	1999 £	1998 £
Sales to Group undertakings	1,670,300	1,617,700
Sales to associated undertakings	705,426	746,719
Purchases from Group undertakings	328,420	178,140
Purchases from associated undertakings	2,110	-

The year end balances with related parties are included within notes 14 and 15.

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 13. STOCKS

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Work in progress	19,092	59,197	19,092	59,197
Finished goods and goods for resale	82,063	179,782	16,394	93,750
	<u>101,155</u>	<u>238,979</u>	<u>35,486</u>	<u>152,947</u>

### 14. DEBTORS

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	3,592,845	3,604,066	1,590,866	1,896,907
Amounts owed by subsidiary undertakings	-	-	1,886,007	1,400,032
Amounts owed by undertakings in which the Company has a participating interest	20,972	370,108	20,972	370,108
Other debtors	574,512	322,743	266,793	215,537
Corporation tax recoverable	31,956	88,008	31,956	88,008
Prepayments and accrued income	413,689	393,414	349,283	349,117
	<u>4,633,974</u>	<u>4,778,339</u>	<u>4,145,877</u>	<u>4,319,709</u>

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank overdraft (note 17)	534,757	1,158,441	259,814	965,590
Bank loans (note 17)	333,332	183,332	333,332	183,332
Payments received on account	-	4,879	-	-
Trade creditors	715,163	1,022,952	581,004	747,490
Amounts owed to undertakings in which the Company has a participating interest	2,479	23,414	2,479	23,414
Other taxation and social security	464,937	521,279	277,363	346,637
Other creditors	635,675	452,443	410,947	320,222
Corporation tax	121,358	94,259	104,787	94,259
Accruals and deferred income	665,046	456,762	505,451	346,628
Finance lease obligations (note 17)	355,026	583,918	355,026	583,918
Dividends payable	106,590	-	106,590	-
	<u>3,934,363</u>	<u>4,501,679</u>	<u>2,936,793</u>	<u>3,611,490</u>

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank loans	983,336	1,316,669	983,336	1,316,669
Finance lease obligations	507,230	836,449	507,230	836,449
	<u>1,490,566</u>	<u>2,153,118</u>	<u>1,490,566</u>	<u>2,153,118</u>

### 17. FINANCIAL INSTRUMENTS

The Group's policies as regards financial instruments are set out in the Directors' Report on page 7 and the accounting policies on page 18.

The Group does not trade in financial instruments.

Short term debtors and creditors have been excluded from all disclosures below.

#### Financial liabilities

All financial liabilities as at 31 December 1999 are denominated in sterling and subject to floating rates with the exception of finance leases. The reference rate for floating rate financial liabilities is United Kingdom base rates.

Total financial liabilities in the Group are £2,713,681. These comprise £1,316,668 bank loans that bear interest at 1.75% above base rate, bank overdraft of £534,757 and obligations under finance lease contracts of £862,256. The bank loans and overdraft are secured by fixed and floating charges over the Group's tangible and intangible assets.

#### Borrowing facilities

Overdraft facilities are reviewed periodically in the normal course of business. The Group has no committed undrawn loan facilities. Undrawn overdraft facilities are detailed below.

#### Fair values of financial assets and liabilities

As all Group borrowings are at floating rates at the year end, the fair value of the Group's financial assets and liabilities materially equate to their book values.

#### Maturity profile of financial liabilities

	Bank borrowings £	Finance leases £	1999 Total £	Bank borrowings £	Finance leases £	1998 Total £
Within 1 year or less or on demand	868,089	355,026	1,223,115	1,341,773	583,918	1,925,691
More than 1 year but not more than 2 years	233,336	296,131	529,467	333,332	346,265	679,597
More than 2 years but not more than 5 years	600,000	178,331	768,331	633,337	361,880	995,217
More than 5 years	150,000	42,768	192,768	350,000	128,304	478,304
Gross financial liabilities	<u>1,851,425</u>	<u>862,256</u>	<u>2,713,681</u>	<u>2,658,442</u>	<u>1,420,367</u>	<u>4,078,809</u>

The Group had £826,533 of undrawn overdraft facilities at 31 December all in one year or less. The Group had no other undrawn borrowing facilities.

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 17. FINANCIAL INSTRUMENTS (continued)

#### Interest rate profile

	Total £	Floating rate £	Fixed rate £	Non interest bearing £	Fixed rate financial liabilities Weighted average interest rate %	Weighted average period for which the rate is fixed (years)	Non interest bearing Weighted average period until maturity (years)
At 31 December 1999							
Sterling	<u>3,370,561</u>	<u>1,851,425</u>	<u>862,256</u>	<u>1,016,880</u>	<u>76.68</u>	<u>2.2</u>	<u>1.4</u>
At 31 December 1998							
Sterling	<u>5,009,144</u>	<u>2,658,442</u>	<u>1,420,367</u>	<u>930,335</u>	<u>7.83</u>	<u>2.5</u>	<u>1.5</u>

Interest on floating rate liabilities is based on the relevant UK bank base rates.

#### Financial assets

Financial assets comprise cash at bank and in hand of £534,447 (1998 - £282,280) and are all at floating rate.

#### Currency profile

The Group has the following cash deposits and overdrafts in foreign currency. The table below states the sterling equivalent.

	Sterling £	Yuan £	Canadian Dollar £	1999 Total £	Sterling £	Yuan £	Canadian Dollar £	1999 Total £
US Dollars	193,665	25,461	26,584	245,710	37,304	6,253	8,522	52,079
Euro	(23,641)	-	-	(23,641)	(82,856)	-	-	(82,856)
Japanese Yen	(341,751)	-	-	(341,751)	(265,022)	-	-	(265,022)
Deutschmark	-	-	-	-	(161,721)	-	-	(161,721)
Italian Lira	-	-	-	-	(6,306)	-	-	(6,306)
	<u>(171,727)</u>	<u>25,461</u>	<u>26,584</u>	<u>(119,682)</u>	<u>(478,601)</u>	<u>6,253</u>	<u>8,522</u>	<u>(463,826)</u>

None of the other subsidiaries hold currency in denominations other than their own local currency.

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 18. PROVISION FOR LIABILITIES AND CHARGES

	Group £	Company £
<b>Deferred taxation</b>		
Balance at 1 January 1999	4,413	-
Movement in the year	10,361	12,977
Balance at 31 December 1999	14,774	12,977

The amounts of deferred taxation provided and not provided in the accounts are:

Group	Provided		Not provided	
	1999 £	1998 £	1999 £	1998 £
Capital allowances in excess of depreciation	144,152	-	-	115,000
Other timing differences	(131,175)	-	-	(121,000)
Taxation on valuation surplus	-	-	764,000	764,000
Overseas deferred taxation	1,797	4,413	-	-
	14,774	4,413	764,000	758,000
<b>Company</b>				
Capital allowances in excess of depreciation	144,152	-	-	115,000
Other timing differences	(131,175)	-	-	(121,000)
Taxation on valuation surplus	-	-	764,000	764,000
	12,977	-	764,000	758,000

### 19. DEFERRED INCOME

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
Maintenance income to be recognised within one year	768,202	665,987	768,202	665,987
Maintenance income to be recognised after more than one year	10,107	4,748	10,107	4,748
Other income to be recognised within one year	56,429	59,600	56,429	59,600
Other income to be recognised after more than one year	182,142	200,000	182,142	200,000
	1,016,880	930,335	1,016,880	930,335

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 1999

### 20. EQUITY MINORITY INTERESTS

	£
At 1 January 1999	98,607
Share of profit for the year	23,050
Difference on exchange	9,790
	<hr/>
At 31 December 1999	131,447
	<hr/>

### 21. CALLED UP SHARE CAPITAL

	1999 £	1998 £
<b>Authorised</b>		
7,750,000 Ordinary shares of 10p each	775,000	775,000
150,000 'C' Ordinary shares of 10p each	15,000	15,000
	<hr/>	<hr/>
	790,000	790,000
	<hr/>	<hr/>
<b>Called up, allotted and fully paid</b>		
5,921,666 Ordinary shares of 10p each	592,166	592,166
	<hr/>	<hr/>
<b>Called up, allotted and not fully paid</b>		
126,567 'C' Ordinary shares of 10p each	12,657	12,657
	<hr/>	<hr/>
	604,823	604,823
	<hr/>	<hr/>

The 'C' Ordinary shares have no rights to vote, attend general meetings or any dividend but will automatically convert into an equal number of Ordinary shares upon being fully paid up. These shares are classified as non-equity until that time.

Non-equity shareholders' funds have been separately disclosed to more properly reflect the requirements of FRS 4.

### 22. RESERVES

	Group and Company Share premium account £	Revaluation reserve £	Group Profit and loss account £	Company Profit and loss account £
At 1 January 1999	1,809,053	189,735	103,282	394,671
Profit for the year	-	-	800,791	682,951
Dividends paid and proposed	-	-	(148,042)	(148,042)
Building revaluation surplus	-	2,267,473	-	-
Exchange rate loss	-	-	2,796	-
Transfer from revaluation reserve	-	(4,517)	4,517	4,517
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	1,809,053	2,452,691	763,344	934,097
	<hr/>	<hr/>	<hr/>	<hr/>

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 22. RESERVES (continued)

	Group	
	1999	1998
	£	£
<b>Other reserves</b>		
Foreign exchange fluctuations reserve	(8,009)	7,631
Capital reserve	9,712	9,712
	<u>1,703</u>	<u>17,343</u>
<b>Foreign exchange fluctuations reserve</b>	£	
At 1 January 1999	7,631	
Movement in the year	(15,640)	
At 31 December 1999	<u>(8,009)</u>	
<b>Capital reserve</b>	£	
At 1 January 1999 and 31 December 1999	<u>9,712</u>	

### 23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	1999	1998
	£	£
Profit/(loss) for the financial year	800,791	(1,403,077)
Dividends paid and proposed	(148,042)	-
Movement in exchange fluctuation reserve	(15,640)	45,381
Exchange rate loss	2,796	(22,541)
Building revaluation surplus	2,267,473	-
Net addition to/(reduction in) shareholders' funds	<u>2,907,378</u>	<u>(1,380,237)</u>
Opening shareholders' funds	2,724,236	4,104,473
Closing shareholders' funds	<u>5,631,614</u>	<u>2,724,236</u>

### 24. PENSION COSTS

The contributions paid to the defined benefit scheme amounted to £339,465 (1998 - £318,663). Contributions outstanding at the year end were £29,626 (1998 - £27,778).

The latest actuarial valuation on the scheme was performed as at 6 April 1999 using the defined accrued benefit method. This disclosed a long term deficit of £400,000. The main actuarial assumption was that the investment returns would exceed the rate of salary increases by 2%. In the opinion of the actuary the current and future contribution rates will eliminate the deficit over a reasonable period from the valuation date and the scheme will be able to fully meet its liabilities. The funding level for the Minimum Funding Requirement was sufficiently adequate at 120% of the scheme's liabilities.

That valuation showed that the actuarial value of the scheme's assets were £4,808,526.

The variation in pension costs is in line with increases in staff salaries and new members joining the scheme.

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 25. FINANCIAL COMMITMENTS

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
<b>Capital commitments</b>				
Contracted for but not provided	101,650	-	101,650	-

#### Operating lease commitments

At 31 December 1999, the Group and Company had annual commitments under non-cancellable other operating leases as set out below:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
<b>Land and buildings</b>				
Leases which expire:				
Within two to five years	117,086	86,380	-	-
After five years	57,500	57,500	57,500	57,500
	<u>174,586</u>	<u>143,880</u>	<u>57,500</u>	<u>57,500</u>
<b>Other leases</b>				
Leases which expire:				
Within one year	43,547	10,067	17,362	10,067
Within two to five years	185,996	123,228	125,040	123,228
	<u>229,543</u>	<u>133,295</u>	<u>142,402</u>	<u>133,295</u>

#### Other commitments

At 31 December 1999, the Company has other annual commitments as set out below:

	1999	1998
	£	£
Amounts due:		
Within two to five years	<u>8,000</u>	<u>12,000</u>

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

**NOTICE OF MEETING**

Notice is hereby given that the Annual General Meeting of Delcam PLC will be held at Delcam PLC, Small Heath Business Park, on 9 May 2000 at 3.00 pm for the following purposes.

**As ordinary business**

- 1 To receive the report of the Directors and the financial statements for the year ended 31 December 1999, together with the report of the auditors.
- 2 To declare a final dividend on the Ordinary shares of 1.8p per share for the year ended 31 December 1999.
- 3 To re-elect Mr K Singh, who retires by rotation, as a Director of the Company.
- 4 To re-elect Mr P T Miles, who retires by rotation, as a Director of the Company.
- 5 To reappoint the auditors and to authorise the Directors to fix their remuneration.

By Order of the Board

**K Singh**

Secretary

Talbot Way  
Small Heath Business Park,  
Birmingham, B10 0HJ

**Notes:**

- 1 A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company. To be valid, Forms of Proxy must be lodged at the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA not less than 48 hours before the meeting. By signing and returning a Form of Proxy, a shareholder will not be precluded from attending and voting in person should he or she so wish.
- 2 The register of Directors' interests maintained pursuant to Section 325 of the Act and copies of the contracts of service of Directors will be available for inspection at the registered office of the Company during usual business hours from the date of this notice until the date of the Annual General Meeting and at the meeting itself.