

Registered no 2513030

Parametric Technology (UK) Limited
Annual report
for the year ended 30 September 2006



Parametric Technology (UK) Limited

Annual report for the year ended 30 September 2006

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Directors' report for the year ended 30 September 2006

The directors present their report and the audited financial statements of the company for the year ended 30 September 2006

Business review and principal activities

The company's principal activities during the year were the sale of product lifecycle management (PLM) software and the provision of training, consultancy and support to its customers and those customers of its parent undertakings who have operational units in the British Isles

The net results for the company show a pre-tax loss of £4.2 million (2005 restated £4.0 million) for the year and sales of £17.9 million (2005 restated £17.9 million)

Future outlook

The company is continuing with cost cutting initiatives and the Directors expect this will improve operating results in the upcoming years

Going concern

Parametric Technology Corporation, the company's ultimate parent, has confirmed its intention to provide sufficient working capital to the company to enable it to carry on its business without a significant curtailment of its operations for the foreseeable future and at least for the next 12 months from the date of approval of the financial statements. On this basis, the directors consider it appropriate for the financial information to be prepared on a going concern basis.

Results and dividends

The company's loss for the financial year is shown on page 5. The directors do not recommend the payment of a dividend (2005: £nil).

Principal risks and uncertainties

The principal risk for the company is a downturn in the British Isles market for the products and services of the Parametric Technology Corporation Group. From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Parametric Technology Corporation Group, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk, foreign currency risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects of these risks on the performance of the company.

Price risk The Parametric Technology Corporation group seeks to continually modify and enhance our products to keep pace with changing technology and address our customers' needs; any failure to do so could reduce demand for our products.

Credit risk Policies are implemented by the company's finance department to carefully monitor such risk via credit checking and no material bad debts were incurred during the year.

Foreign currency risk The company's transactions are primarily denominated in UK pound sterling, and therefore the level of foreign currency risk is immaterial.

Liquidity risk The ultimate parent company, Parametric Technology Corporation, continues to provide financial support to ensure the company is able to meet all of its financial obligations.

**Directors' report
for the year ended 30 September 2006 (continued)**

Interest rate cash flow risk The company has no debt outside of the Parametric Technology Corporation group of companies. The company's debt is primarily at fixed rate. However £10 million is subject to fluctuations in LIBOR (see Note 13 to the Financial Statements)

The company does not use derivative financial instruments and as such no hedge accounting is applied

Post balance sheet events

In September 2007 the company made an additional contribution of £3.4 million to the defined benefit pension scheme

In December 2007, the company surrendered the three leases, with an expiration date of 2013, relating to Argent Court, Coventry for the sum of £1,100,000 (net). The anticipated annual savings are approximately £400,000

On 28 September, 2007, the company received a £3.4 million cash injection from Parametric Technology UK Holdings Ltd, the parent company, in return for issuance of 17,000 ordinary shares of £1, each with a premium of £199

On 25, February 2008, the company received a £8.8 million cash injection from Parametric Technology UK Holdings Ltd, the parent company, in return for issuance of 44,185 ordinary shares of £1, each with a premium of £199

Research and development

The company carries out research & development activities, including developing new releases of our software that work together in a more integrated fashion and that include functionality enhancements desired by our customers. This is carried out under the guidance of its ultimate parent company Parametric Technology Corporation. In total, research and development costs expended for the year appear in Note 3 to the financial statements

Directors

The directors of the company during the year to 30 September 2006 and up to the date of signing of the financial statements are as follows

R D Seifert
A von Staats
T Gylling (resigned 2 April 2008)
C Dunn

**Directors' report
for the year ended 30 September 2006 (continued)**

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company 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, with the exception of changes arising from adoption of new accounting standards in the period, as explained in Note 1 "Principal accounting policies"
- make judgements and estimates that are reasonable and prudent,

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

- 1) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2) each director has taken all the steps that ought to have been taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board


C Dunn
Director

Independent auditors' report to the members of Parametric Technology (UK) Limited

We have audited the financial statements of Parametric Technology (UK) Limited which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Reading

28 April 2008

Profit and loss account for the year ended 30 September 2006

	Notes	2006 £'000	As restated 2005 £'000
Turnover	2	17,921	17,903
Cost of sales		(4,006)	(3,959)
Gross profit		13,915	13,944
Total administrative expenses		(20,727)	(19,712)
Other operating income		3,351	2,395
Operating loss	3	(3,461)	(3,373)
Interest receivable and similar income	4	394	224
Interest payable and similar charges	5	(521)	(376)
Other finance expense	21	(631)	(439)
Loss on ordinary activities before taxation		(4,219)	(3,964)
Tax credit on loss on ordinary activities	8	863	-
Loss for the financial year	18	(3,356)	(3,964)

All activities are from continuing operations

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

Statement of total recognised gains and losses for the year ended 30 September 2006

	Notes	2006 £'000	2005 £'000
Loss for the financial year		(3,356)	(3,964)
Actuarial loss on pension scheme	21	(595)	(2,741)
Total recognised gains and losses for the year		(3,951)	(6,705)
Prior year adjustment – FRS 17	18	(7,569)	
Total recognised gains and losses since the last annual report		(11,520)	

Balance Sheet

As at 30 September 2006

	Notes	2006 £'000	As restated 2005 £'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	811	817
		811	817
Current assets			
Debtors due within one year	11	8,103	7,738
Debtors due after more than one year	11	4,503	5,213
Cash at bank and in hand		1,318	689
		13,924	13,640
Creditors amounts falling due within one year	12	(8,446)	(15,141)
Net current liabilities		5,478	(1,501)
Total assets less current liabilities		6,289	(684)
Creditors: amounts falling due after more than one year	13	(43,278)	(33,212)
Provisions for liabilities and charges	14	(1,461)	(1,995)
Net liabilities excluding pension liability		(38,450)	(35,891)
Pension liability	21	(10,707)	(9,315)
Net liability including pension liability		(49,157)	(45,206)
Capital and reserves			
Called up share capital	17	12	12
Share premium	18	2,220	2,220
Profit and loss account – deficit	18	(51,389)	(47,438)
Total equity shareholders' deficit	19	(49,157)	(45,206)

The financial statements on pages 5 to 19 were approved by the board of directors on and were signed on its behalf by

28 APR 2008



C Dunn
Director

**Notes to the financial statements
for the year ended 30 September 2006****1 Principal accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year except for changes arising on the adoption of new accounting standards, are set out below.

Going concern

Parametric Technology Corporation, the company's ultimate parent, has confirmed its intention to provide sufficient working capital to the company to enable it to carry on its business without a significant curtailment of its operations for the foreseeable future and at least for the next 12 months from the date of approval of these financial statements. On this basis, the directors consider it appropriate for the financial information to be prepared on a going concern basis.

New accounting standards – FRS 21 and FRS 25

The company has adopted Financial Reporting Standard ("FRS") 21 – 'Events after the balance sheet date' and FRS 25 – 'Financial instruments: Disclosure and presentation' in these financial statements. The adoption of these accounting standards has not had any significant impact on these financial statements.

Change in accounting policy – Pension costs

The company has adopted FRS 17 – 'Retirement Benefits', in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of this change in accounting policy to adopt FRS 17 is to increase expenses by £166,000 (2005 increase £129,000), to increase other finance cost by £631,000 (2005 increase £439,000) and to increase loss for the year by £797,000 (2005 increase loss by £568,000). The opening profit and loss deficit in 2005 was increased by £7,569,000.

Cash flow statement and related party transactions

The company is exempt from the requirements of FRS 1 – 'Cash Flow Statements (revised 1996)' to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Parametric Technology Corporation whose consolidated financial statements, which include the company's financial statements, are publicly available.

The company is also exempt under the terms of paragraph 3(c) FRS 8 – 'Related Party Transactions' from disclosing related party transactions with entities that are part of the Parametric Technology Corporation group.

Turnover

Revenue is derived from the licensing of computer software products and from service revenue consisting of training, consulting and maintenance. License revenue is recognised upon contract execution, provided all shipment obligations have been met, fees are fixed or determinable and collection is probable. Revenue from software maintenance contracts and royalties is recognised monthly over the contract period. Revenue from consulting and training is recognised upon performance.

Accrued income

Revenue that is due on services rendered but not billed is recognised within the same accounting period in which the cost of providing that service is also recognised, and is included in accrued income.

**Notes to the financial statements
for the year ended 30 September 2006 (continued)****Other operating income**

Other operating income represents charges for the provision of training and other services to group companies and the reimbursement of research and development expenditure incurred by Parametric Technology (UK) Limited on behalf of other group companies

Deferred income

The group undertakes to maintain customers' software under maintenance contracts on which the company invoices in advance. The income is recognised on a straight line basis over the life of the contract. Maintenance costs are expensed as incurred.

Goodwill

Goodwill represents the difference between the fair value of assets acquired and the fair value of consideration paid. Goodwill is capitalised and amortised over the period in which benefit is to be gained from the acquisition. The amortisation period used for goodwill arising on acquisitions made since the introduction of FRS 10 is 5 years. Prior to the issue of FRS 10, goodwill was written off to reserves. No prior year adjustment regarding goodwill written off to reserves in prior years has been made.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase price together with any incidental costs of acquisitions. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, which are principally as follows:

Leasehold improvements	Over the lease term
Fixtures and fittings	33%

Notes to the financial statements for the year ended 30 September 2006 (continued)

Leased assets

Rentals in respect of operating leases are charged to the profit and loss account as incurred

Provisions

A provision is recognised in the balance sheet when the company has a present obligation as a result of an event prior to the closing date and when an outflow of resources embodying economic benefits that can be reliably measured becomes probable. Provisions are discounted when the impact of the time value of money is considered material.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated at exchange rates ruling at the balance sheet date. Exchange differences are taken to the profit and loss account in the period in which they arise.

Pension costs

The company operates both a funded defined benefit pension scheme (closed to new members) and a funded defined contribution pension scheme. The assets of the schemes are held separately from the company in independently administered funds. The pension cost charge disclosed in note 20 represents contributions payable by the company to the fund.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The company's contributions to the defined contribution scheme are charged to the profit and loss account as they fall due.

2 Turnover

	2006	2005
	£'000	£'000
Licence revenue	4,179	3,809
Maintenance revenue	9,176	9,387
Training and consulting revenue	4,566	4,707
	17,921	17,903

The level of sales made outside of the United Kingdom is not considered significant.

**Notes to the financial statements
for the year ended 30 September 2006 (continued)**
3 Operating loss

	2006 £'000	2005 £'000
Operating loss is stated after charging		
Services provided by company's auditor		
- fees payable for audit	69	73
Depreciation of tangible assets		
- Owned	313	438
Operating lease rentals		
- Plant and machinery	74	58
- Other	891	866
Research and development	3,222	2,490
Provision for onerous lease (Note 14)	361	207
Net exchange difference on foreign currency	69	5

4 Interest receivable and similar income

	2006 £'000	2005 £'000
Other interest receivable	394	224

5 Interest payable and similar charges

	2006 £'000	2005 £'000
Interest payable to group undertakings	521	376

6 Staff numbers and costs

The average monthly number of employees of the company during the year (including directors) was

	2006 Number	2005 Number
Sales	73	68
General administration	21	18
Support services	64	54
Technical development	24	18
	182	158

Notes to the financial statements for the year ended 30 September 2006 (continued)

6 Staff numbers and costs (continued)

The aggregate payroll costs were as follows

	2006	2005
	£'000	£'000
Wages and salaries	13,583	12,775
Social security costs	1,390	1,190
Other pension costs (note 21)	411	373
	15,384	14,338

7 Directors' emoluments

No directors (2005 nil) are remunerated for their services as directors of Parametric Technology (UK) Limited. No directors were entitled to retirement benefits under any pension scheme at 30 September 2006 (2005 nil).

8 Tax credit on loss on ordinary activities

	2006	2005
	£'000	£'000
Current tax		
United Kingdom corporation tax at 30% (2005 30%)	(863)	-
Tax credit on loss on ordinary activities	(863)	-

Factors affecting the tax charge for the year

The tax assessed for the period is higher (2005 higher) than the loss before tax multiplied by the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006	2005
	£'000	£'000
Loss on ordinary activities before tax	(4,219)	(3,964)
Loss on ordinary activities multiplied by standard rate in the UK of 30% (2005 30%)	(1,266)	(1,189)
Effects of:		
Expenses not deductible for tax purposes	333	248
Accelerated capital allowances and other timing differences	70	941
Current tax credit for the year	(863)	-

A number of changes to the UK corporation tax system were announced in the March 2007 budget statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantially enacted at the balance sheet date and, therefore are not included in these financial statements.

**Notes to the financial statements
for the year ended 30 September 2006 (continued)**

9 Intangible assets

	Goodwill £'000
Cost	
At 1 October 2005 and 30 September 2006	5,008
Aggregate amortisation	
At 1 October 2005 and 30 September 2006	(5,008)
Net book value	
At 30 September 2005 and at 30 September 2006	-

10 Tangible assets

	Leasehold improvements £'000	Fixtures & fittings £'000	Total £'000
Cost			
At 1 October 2005	1,394	1,143	2,537
Additions	162	145	307
Disposals and write-offs	(211)	(494)	(705)
At 30 September 2006	1,345	794	2,139
Accumulated depreciation			
At 1 October 2005	834	886	1,720
Charge for the year	134	179	313
Disposals and write-offs	(211)	(494)	(705)
At 30 September 2006	757	571	1,328
Net book value			
At 30 September 2006	588	223	811
At 30 September 2005	560	257	817

Notes to the financial statements for the year ended 30 September 2006 (continued)

11 Debtors

	2006 £'000	2005 £'000
Amounts due within one year:		
Trade debtors	5,576	5,885
Amounts owed by group undertakings	1,038	553
Other debtors	395	13
Prepayments and accrued income	1,094	1,287
	8,103	7,738
Amounts due after one year:		
Trade debtors	153	1,165
Other debtors	4,350	4,048
	4,503	5,213

Included in amount due to group undertakings is an amount of £nil (2005 £553,000) whereby interest is payable at nil (2005 LIBOR + 0.5%) per annum. The remaining amount due from group undertakings bears no interest.

12 Creditors: amounts falling due within one year

	2006 £'000	As restated 2005 £'000
Trade creditors	235	236
Amounts due to group undertakings	460	6,760
Other taxes and social security	927	1,272
Other creditors	-	3
Accruals and deferred income	6,824	6,870
	8,446	15,141

Included in amount due to group undertakings is an amount of £nil (2005 £6,030,000) whereby interest is payable at nil (2005 LIBOR + 0.5%) per annum. The remaining amount due to group undertakings bears no interest. The amounts due are unsecured and have no fixed repayment date.

13 Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Amounts due to group companies	43,278	33,212

Interest on long term loans included in amounts due to group companies of £928,000 (2005 £928,000) above is charged at 6.5% (2005 6.5%) per annum. Included in amount due to group undertakings is an amount of £10,066,000 (2005 £nil) whereby interest is payable at LIBOR + 0.5% (2005 nil) per annum.

The remaining amount due to group companies bears no interest. The amounts due are unsecured and have no fixed repayment date although they are not repayable within the next 12 months.

Notes to the financial statements for the year ended 30 September 2006 (continued)

14 Provisions for liabilities and charges

	Property lease £'000
At 1 October 2005	1,995
Utilised during the year	(895)
Charge to profit and loss account (Note 3)	361
At 30 September 2006	1,461

Provision has been made for the expected future shortfall of rental receipts against payments due on a lease of a property not occupied by the company. The provision has not been discounted.

15 Deferred tax

The unrecognised deferred taxation asset is as follows

	2006 £'000	As restated 2005 £'000
Capital allowances in excess of depreciation	(2,413)	(3,171)
Short term timing difference	(16)	(17)
Losses	(9,497)	(8,871)
Unrecognised deferred tax excluding that relating to the pension liability	(11,926)	(12,059)
Pension asset	(3,213)	(2,795)
Total deferred tax not recognised	(15,139)	(14,854)
1 October 2005 as previously reported	(12,580)	
Prior year adjustment – FRS 17	(2,274)	
1 October 2005 as restated	(14,854)	
Movement on unrecognised deferred tax in period	(285)	
At 30 September 2006	(15,139)	

In the directors' opinion it is uncertain as to when the deferred tax asset will crystallise and accordingly it has not been recognised.

Notes to the financial statements for the year ended 30 September 2006 (continued)

16 Financial commitments

As at 30 September 2006 the company had annual commitments under non-cancellable operating lease agreements expiring as follows

	2006			2005		
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000	Other £'000	Total £'000
Commitments expiring						
Within one year	-	-	-	13	- *	13
Within 2 to 5 years	1,209	78	1,287	1,092	89	1,181
After more than 5 years	428	-	428	339	-	339
Total	1,637	78	1,715	1,444	89	1,533

* less than £1,000

17 Called up share capital

	2006 £'000	2005 £'000
Authorised:		
100,000 (2005 100,000) ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
12,000 (2005 12,000) ordinary shares of £1 each	12	12

18 Reserves

	Profit and loss £'000	Share premium £'000
As at 1 October 2005 – as previously reported	(39,869)	2,220
Prior year adjustment		
- FRS 17	(7,569)	-
As at 1 October 2005 as restated	(47,438)	2,220
Loss for the financial year	(3,356)	-
Actuarial loss on pension scheme (note 21)	(595)	-
As at 30 September 2006	(51,389)	2,220
Pension liability (note 21)	10,707	-
Profit and loss reserve excluding pension liability	(40,682)	2,220

In prior years, £15,009,000 of goodwill has been written off directly to reserves

Notes to the financial statements for the year ended 30 September 2006 (continued)

19 Reconciliation of shareholders' deficit

		As restated
	2006	2005
	£'000	£'000
Loss for the financial year	(3,356)	(3,964)
Actuarial loss on pension scheme (note 21)	(595)	(2,741)
Net increase to equity shareholder's deficit	(3,951)	(6,705)
Shareholders' deficit at 1 October as previously reported	(37,637)	(34,241)
Prior year adjustment – FRS 17	(7,569)	(4,260)
Equity shareholders' deficit at 1 October as restated	(45,206)	(38,501)
Equity shareholders' deficit at 30 September	(49,157)	(45,206)

20 Equity Incentive Plan

The 2000 Equity Incentive Plan (2000 Plan) of the ultimate holding company, Parametric Technology Corporation Inc provides for the grants of nonqualified and incentive stock options, common stock, restricted stock, restricted stock units and stock appreciation rights to its employees, directors, officers, and consultants. The UK employees participate in this plan. Details of the plan can be found in the financial statements of Parametric Technology Corporation.

21 Pension commitments

The group operates a number of defined contribution pension schemes. The assets of the schemes are held in independently administered funds. The contributions to the schemes payable by the group for the year were £411,000 (2005: £373,000). The contributions outstanding as at the balance sheet date were £28,000 (2005: £48,000).

An actuarial valuation of the defined benefit scheme, which is closed to new members, was carried out as at 30 September 2006 by Harry Harper FIA. The major assumptions used by the independent actuary were:

	2006	2005	2004
	%	%	%
Rate of increase in salaries	0.00	0.00	0.00
Rate of increase in pensions in payment			
- on pensions accrued after April 1997	2.875	2.75	2.75
- on pensions accrued prior to April 1997	0.00	0.00	0.00
Rate of increase in pensions in deferment	2.875	2.75	2.75
Discount rate	5.00	5.00	5.50
Inflation assumption	2.875	2.75	2.75

Notes to the financial statements for the year ended 30 September 2006 (continued)

21 Pension commitments (continued)

The net liabilities in the defined benefit scheme and the expected rate of return were

	Long-term rate of return expected at 30 September 2006 %	Value at 30 September 2006 £'000	Long-term rate of return expected at 30 September 2005 %	Value at 30 September 2005 £'000	Long-term rate of return expected at 30 September 2004 %	Value at 30 September 2004 £'000
Bonds	3.90	15,032	3.90	14,985	4.75	14,490
Total market value of assets		15,032		14,985		14,490
Present value of scheme liabilities		(25,739)		(24,300)		(20,496)
Deficit in the scheme		(10,707)		(9,315)		(6,006)
Related deferred tax asset		-		-		-
Net pension liability		(10,707)		(9,315)		(6,006)

	2006 £'000	2005 £'000
Analysis of amount charged to operating profit		
Current service cost	-	-
Total operating charge	-	-

	2006 £'000	2005 £'000
Analysis of amount charged to other finance cost		
Expected return on pension scheme assets	569	664
Interest on pension share liabilities	(1,200)	(1,103)
Net finance cost	(631)	(439)

	2006 £'000	2005 £'000
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	252	833
Experience gains and losses arising on the scheme liabilities	987	398
Changes in assumptions underlying the present value of the scheme liabilities	(1,834)	(3,972)
Actuarial loss recognised in the STRGL	(595)	(2,741)

Notes to the financial statements for the year ended 30 September 2006 (continued)

21 Pension commitments (continued)

	2006	2005
	£'000	£'000
Movement in deficit during the year		
Deficit in scheme at the beginning of the year	(9,315)	(6,006)
Movement in year		
Current service cost	-	-
Expenses	(166)	(129)
Other finance cost	(631)	(439)
Actuarial loss recognised in the STRGL	(595)	(2,741)
Deficit in scheme at year end	(10,707)	(9,315)

	2006	2005	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000
History of experience gains and losses					
Difference between the expected and actual return of scheme assets	252	833	(25)	(605)	822
Percentage of scheme assets at period end	2%	6%	0%	(4%)	5%
Experience gains and losses of scheme liabilities	987	398	536	279	69
Percentage of the present value of the scheme liabilities at period end	4%	2%	0%	1%	0%
Total amount recognised in the STRGL	(595)	(2,741)	68	(361)	(1,455)
Percentage of the present value of the scheme liabilities at period end	(2%)	(11%)	0%	(2%)	(7%)

The Scheme is closed to new entrants. Therefore, under the projected unit method, the current service cost as a percentage of pensionable salary will increase as the members of the Scheme approach retirement.

22 Contingent liabilities

The company has no contingent liabilities at 30 September 2006 (2005: nil)

**Notes to the financial statements
for the year ended 30 September 2006 (continued)**

23 Parent undertakings and ultimate controlling party

The company's immediate parent company at 30 September 2006 was Parametric Holdings (UK) Limited

The ultimate parent undertaking and the parent of the largest group for which group financial statements are prepared and of which Parametric Technology (UK) Limited is a member, is Parametric Technology Corporation, a company incorporated in the United States of America

Parametric Holdings (UK) Limited is parent undertaking of the smallest group to prepare consolidated accounts which include Parametric Technology (UK) Limited

Copies of both sets of these consolidated financial statements can be obtained from

Parametric Technology (UK) Limited
Innovation House
Harvest Crescent
Fleet
Hampshire
GU51 2QR

The directors regard Parametric Technology Corporation as the ultimate controlling party

24 Post balance sheet events

In September 2007 the company made an additional contribution of £3.4M to the defined benefit pension scheme

In December 2007 Parametric Technology (UK) Limited surrendered the three leases, with an expiration date of December 2013, relating to Argent Court, Coventry for the sum of £1,100,000 (Net). The anticipated savings are approximately £400,000 per annum.

On 28 September, 2007, the company received a £3.4 million cash injection from Parametric Technology UK Holdings Ltd, the parent company, in return for issuance of 17,000 ordinary shares of £1, each with a premium of £199.

On 25, February 2008, the company received a £8.8 million cash injection from Parametric Technology UK Holdings Ltd, the parent company, in return for issuance of 44,185 ordinary shares of £1, each with a premium of £199.