

Registered no: 2513030

Parametric Technology (UK) Limited
Annual report
for the year ended 30 September 2001



Parametric Technology (UK) Limited

Annual report

For the year ended 30 September 2001

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Directors' report for the year ended 30 September 2001

The directors present their report and the audited financial statements for the year ended 30 September 2001.

Principal activities

The company's principal activities during the year were the sale of computer aided design and manufacturing 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.

Review of business and future developments

The uncertain economic climate presented a number of challenges throughout the year which we faced with some success. The most notable hurdle was the significant tightening of customers' capital expenditure budgets, and in particular, a reluctance to invest in new technology that we have witnessed during the last 9 months. This resulted in disappointing license revenues through mid-year, but an encouraging performance during the last three months provides some indication that capital budget restraints may be loosening. We are further encouraged by the strong demand for our services business which has had a tremendous year, demonstrating ongoing commitment by our customers to the continued use and development of our products within their businesses. We feel it is prudent to maintain a cautious outlook for 2002, whilst we are satisfied that the company is well positioned to take advantage of improved business confidence as economic uncertainties disperse.

Results and dividends

The loss for the year is shown on page 4. The directors do not recommend the payment of a dividend (2000: £Nil).

Directors

The directors of the company at 30 September 2001, all of whom have served throughout the year, unless otherwise stated, are as follows:

J F Kelliher	(USA)
D R Freidman	(USA)
R D Seifert	(Germany)

Company Secretary	C Dunn.
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Directors' interests

According to the register required to be kept under Section 325 of the Companies Act 1985, no director had any notifiable interest in the shares of the company, or any other group company, during the year ended 30 September 2001.

Euro

The majority of sales are made in the UK and invoiced in sterling and hence the effect on the group of the introduction of the Euro by some European countries has been negligible.

Employees

Parametric Technology (UK) Limited encourages the development of employees. This is achieved by both formal and informal meetings, and a structured training programme. Information on matters of concern to employees is given in a periodic newsletter which seeks to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

It is the company's policy to give every consideration to applications for employment from disabled persons and to afford them every opportunity for appointment to, and training for, positions within their capabilities. Should an employee become disabled during his or her employment with the company, every effort is made to continue employment within his or her existing capability wherever practicable, or failing that, to retrain them to perform in some alternative suitable capacity.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2001 and that applicable accounting standards have been followed.

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.

Auditors

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

By order of the board



D R Friedman
Director

21 June 2002

**Report of the auditors to the members of
Parametric Technology (UK) Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

28 June 2002

**Profit and loss account
for the year ended 30 September 2001**

	Notes	2001 £'000	2000 £'000
Turnover	2	44,786	44,620
Cost of sales		(14,981)	(14,413)
Gross profit		29,805	30,207
Administrative expenses		(44,239)	(44,026)
Other operating income		13,341	9,325
Operating loss	7	(1,093)	(4,494)
Interest receivable	3	247	200
Interest payable	4	(288)	(1,413)
Loss on ordinary activities before taxation		(1,134)	(5,707)
Taxation	8	(64)	(84)
Loss for the financial year	20	(1,198)	(5,791)

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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

All activities are from continuing operations.

Balance Sheet at 30 September 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Intangible assets	9	2,751	3,753
Tangible assets	10	2,719	2,637
Investments	11	-	-
		5,470	6,390
Current assets			
Debtors: due after more than one year	12	4,010	3,907
Debtors: due within one year	12	17,335	17,695
Cash at bank and in hand		3,269	2,855
		24,614	24,457
Creditors: amounts falling due within one year	13	(24,498)	(27,081)
Net assets/(liabilities)		116	(2,624)
Total assets less current liabilities		5,586	3,766
Creditors: amounts falling due after more than one year	14	(18,340)	(15,214)
Provision for liabilities and charges	15	-	(108)
Net liabilities		(12,754)	(11,556)
Capital and reserves			
Called up share capital	18	12	12
Share premium	19	2,220	2,220
Profit and loss account	19	(14,986)	(13,788)
Equity shareholders' deficit	20	(12,754)	(11,556)

The financial statements on pages 4 to 15 were approved by the board of directors and were signed on its behalf by:



D R Friedman
Director

21 June 2002

**Notes to the financial statements
for the year ended 30 September 2001**

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts have been prepared in accordance with the historical cost convention.

The company has taken advantage of the exemption provided by section 228 of the United Kingdom's Companies Act 1985 from producing consolidated financial statements as it is consolidated within the accounts of Parametric Holdings (UK) Limited, its immediate parent company.

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. On this basis, the directors consider it appropriate for the financial information to be prepared on a going concern basis.

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 Financial Reporting Standard 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.

Cash flow

The company is included within the consolidated financial statements of Parametric Technology Corporation, which are publicly available. Consequently the company is exempt under Financial Reporting Standard 1 from publishing a cash flow statement.

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.

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 by other group companies.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of fixed assets over their expected useful lives by the straight line method at the following rates per annum:

Leasehold improvements	Over the lease term
Plant and machinery	33%
Motor vehicles	25%

Leased assets

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

Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown in creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period.

Leased assets capitalised as above are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

Investments

Fixed asset investments are shown at cost or fair value less amounts written off. Provisions are made for permanent diminutions in value.

Deferred income

The group undertakes to maintain customers' equipment 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.

Deferred taxation

Deferred taxation liabilities are provided using the liability method in respect of timing differences only where, in the opinion of the directors, it is expected that the liability will become payable within the foreseeable future.

Foreign currencies

Monetary assets and liabilities are translated using the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the relevant transaction. All differences are taken to the profit and loss account.

Pension costs

The Parametric group operates a defined contribution scheme. The assets of the scheme are held separately from the company in independently administered funds. The pension cost charge of £509,000 (2000: £530,000) for the defined contribution scheme represents contributions payable by the company to the funds.

Related party transactions

The company is a wholly owned member of the Parametric Technology Corporation group and, under the terms of Financial Reporting Standard 8 "Related Party Transactions", has taken advantage of the exemption not to disclose transactions with other members of the group.

2 Turnover

	2001	2000
	£'000	£'000
Licence revenue	14,322	16,522
Maintenance revenue	15,154	16,762
Training and consulting revenue	15,310	11,336
	44,786	44,620

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

3 Interest receivable

	2001	2000
	£'000	£'000
Bank interest	247	200

4 Interest payable

	2001	2000
	£'000	£'000
Interest payable to parent undertaking	266	874
Finance charges	22	539
	288	1,413

5 Staff numbers and costs

The average monthly number of employees of the company (excluding directors) during the period was:

	2001	2000
	Number	Number
Sales	131	137
General administration	39	41
Support services	146	144
Technical development	47	30
	363	352

The aggregate payroll costs were as follows:

	2001	2000
	£'000	£'000
Wages and salaries	21,659	21,709
Social security costs	2,969	2,418
Other pension costs	509	530
	25,137	24,657

6 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	-	38
	-	38

There were no directors entitled to retirement benefits under a defined contribution pension scheme at 30 September 2001 (2000: nil). During the 2000 period two directors exercised options over common stock of Parametric Technology Corporation. No directors exercised options during 2001.

7 Operating loss

	2001 £'000	2000 £'000
Operating loss is stated after charging/(crediting):		
Auditors' remuneration:		
Audit fees	91	77
Non-audit fees	145	141
Depreciation of tangible assets:		
Owned	1,322	1,281
Hire purchase	-	8
Operating lease rentals:		
Other	1,721	1,969
Plant and machinery	2,320	2,444
Amortisation of goodwill	1,002	1,003
Net exchange difference on foreign currency	21	(9)

8 Taxation

	2001 £'000	2000 £'000
United Kingdom corporation tax at 30% (2000: 30.5%)		
Current	-	-
Prior year	64	84
	64	84

9 Intangible assets

	Goodwill £'000
Cost	
At 1 October 2000 and 30 September 2001	5,008
Amortisation	
At 1 October 2000	1,255
Charge for the year	1,002
At 30 September 2001	2,257
At 30 September 2001	2,751
At 30 September 2000	3,753

The goodwill arose from the acquisitions of the trade and assets of ICEM Systems (UK) Limited and the trade and assets of Division Limited (apart from an investment in Pixel Fusion Group plc and the intellectual property rights attached to Division Limited) during the year ended 30 September 1999.

The goodwill from these acquisitions is being amortised over a period of 5 years, being the directors' estimate of the period over which economic benefit will be obtained.

10 Tangible fixed assets

	Leasehold improvements £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 October 2000	1,254	5,142	114	6,510
Additions	573	751	-	1,324
Disposals and write-offs	(407)	(1,496)	(18)	(1,921)
At 30 September 2001	1,420	4,397	96	5,913
Depreciation				
At 1 October 2000	532	3,147	114	3,793
Charge for year	175	1,147	-	1,322
Disposals and write-offs	(407)	(1,496)	(18)	(1,921)
At 30 September 2001	300	2,798	96	3,194
Net book amount				
At 30 September 2001	1,120	1,519	-	2,719
At 30 September 2000	722	1,915	-	2,637

Motor vehicles with cost of £nil (2000: £21,000) and accumulated depreciation of £nil (2000: £13,000) and a net book value of £nil (2000: £8,000) are assets leased under hire purchase agreements.

11 Investments

	£'000
As at 1 October 2000 and 30 September 2001	-

All investments are at cost and represent 100% of the ordinary share capital in the following companies:

	Class of shares held	Country of incorporation	Business
Computervision Limited	£1 ordinary	Great Britain	Non-trading
ICEM Systems (UK) Limited	£1 ordinary	Great Britain	Non-trading
RASNA UK Limited	£1 ordinary	Great Britain	Non-trading

12 Debtors

	2001 £'000	2000 £'000
Amounts due within one year:		
Trade debtors	12,087	11,833
Amounts owed by group undertakings	3,293	2,668
ACT recoverable	-	88
Corporation Tax	465	-
Other debtors	1,040	454
Prepayments and accrued income	450	2,176
	17,335	17,219
Amounts due after one year:		
Other debtors	4,010	3,907
	21,345	21,126

13 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Obligations under finance leases	-	2
Trade creditors	1,998	1,075
Amounts due to group undertakings	11,721	11,639
Payments on account	80	412
Tax and social security	1,795	1,910
Other creditors	175	328
Accruals and deferred income	8,729	11,715
	24,498	27,081

14 Creditors: amounts falling due after more than one year

	2001 £'000	2000 £'000
Amounts due to group companies	15,410	14,021
Accruals and deferred income	2,930	1,193
	18,340	15,214

Interest on long term loan amounts due to group companies, shown above, is charged at 6% per annum. The amounts due have no fixed date of repayment.

Obligations under hire purchase agreements are repayable as follows:

	2001 £'000	2000 £'000
Within one year	-	2
	-	2

15 Provisions

	Contract Costs £'000	Surplus Leasehold £'000	Total £'000
As at 1 October 2000	18	90	108
Released to profit and loss account	-	(56)	(56)
Utilised during the year	(18)	(34)	(52)
As at 30 September 2001	-	-	-

The surplus leasehold provision represents the estimated future costs of onerous leases on properties. The release of £56,000 of provision against vacant properties is due to the leases being assigned, sublet or terminated early which was not anticipated in 2000.

The provision for contract costs represents the estimated cost of services on contracts where these are not offset by future income.

The unrecognised deferred taxation asset is as follows:

	2001 £'000	2000 £'000
Capital allowances in excess of depreciation	2,947	2,504
Short term timing difference	113	38
Losses	3,849	5,871
	6,909	8,413

16 Leasing commitments

Annual commitments for the company under non-cancellable operating leases are as follows:

	2001			2000		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
Commitments expiring:						
Within one year	54	3,532	3,586	83	1,848	1,931
Within 2 to 5 years	75	96	171	219	4,402	4,621
After more than 5 years	1,378	-	1,378	1,305	-	1,305
Total	1,507	3,628	5,135	1,607	6,250	7,857

17 Capital Commitments

At 30 September 2001 there was no capital expenditure contracted for but not provided for in the financial statements (2000: £Nil).

18 Called up share capital

	2001 £'000	2000 £'000
Ordinary shares of £1 each		
Authorised:	100	100
Allotted, called up and fully paid:	12	12

19 Reserves

	Share Premium £'000	Profit & Loss £'000	Total £'000
As at 1 October 2000	2,220	(13,788)	(11,568)
Loss for the year	-	(1,198)	(1,198)
As at 30 September 2001	2,220	(14,986)	(12,766)

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

20 Reconciliation of shareholders' deficit

	2001 £'000	2000 £'000
Loss for the year	(1,198)	(5,791)
Shareholders' deficit at 1 October	(11,556)	(5,765)
Shareholders' deficit at 30 September	(12,754)	(11,556)

21 Employees' stock option plan

The employees of Parametric Technology (UK) Limited may enjoy the benefits of the 1987 Incentive Stock Option Plan which gives certain employees the option to purchase shares in Parametric Technology Corporation. Details of the plan can be found in the financial statements of that company.

22 Contingent liabilities

The company has no contingently liabilities at 30 September 2001. Legal proceedings with a customer regarding an alleged breach of warranty referred to in the 2000 financial statements were settled during the year.

23 Parent undertakings and ultimate controlling party

The company's immediate parent company at 30 September 2001 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.

Copies of the group financial statements can be obtained from:

Parametric Technology (UK) Limited
Technology House
1 Fleetwood Park
Barley Way
Fleet
Hants
GU13 8UT

The directors regard Parametric Technology Corporation as the ultimate controlling party.