

Registered no 02513030

Parametric Technology (UK) Limited
Annual report and financial statements
for the year ended 30 September 2010

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Parametric Technology (UK) Limited

Annual report for the year ended 30 September 2010

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Directors' report for the year ended 30 September 2010

The directors present their report and the audited financial statements of the company for the year ended 30 September 2010

Business review and principal activities

The company offers solutions in the product development market, which encompasses the product lifecycle management, or PLM, market (product data management, collaboration and related solutions) and the CAx market (computer-aided design, manufacturing and engineering (CAD, CAM and CAE) solutions)

Our software solutions provide our customers with an integral product development system that enables them to create digital product content, collaborate with others in the product development process, control product content, automate product development processes, configure products and product content, and communicate product information to people and systems across the extended enterprise and design chain

Our solutions are complemented by our experienced services and technical support organisations, as well as resellers and other strategic partners. Our services and technical support organisations provide consulting, implementation and training support services to customers worldwide. Our resellers supplement our direct sales force to provide greater geographic and small and medium size account coverage

The past two years have been characterised by weak global economic conditions, a tightening in the credit markets, and extreme volatility in many financial markets which have adversely impacted IT spending. Although these conditions seem to be improving on a worldwide basis, it is uncertain whether a sustainable recovery is currently taking place and these adverse conditions may continue to unfavourably impact our business, financial results and financial condition. Total revenue in 2010 as compared to 2009 declined 17% (£3.2 million) with license revenue down 34% (£1.1 million), maintenance revenue down 7% (£0.7 million) and services revenue down 28% (£1.3 million). In 2010, our maintenance and service revenue was adversely impacted by declines in license revenue. The decline in maintenance revenue reflected a 4% decrease in seats under maintenance of which the company continued to have over 30,000 seats under maintenance as of the end of 2010 and 2009.

During the year, the Company improved its financial position by issuing 65,000 ordinary shares (see note 16) for consideration of £13.0 million which the company used to repay its loan facility in full and improve its net equity position from a deficit of £11.1 million as of 30 September 2009 to a slight surplus as of 30 September 2010.

Future Outlook

While we believe our revenue continued to be impacted by the economy environment during 2010, we believe we are well positioned if and when economic conditions improve. We believe the market among large businesses for our Enterprise Solutions presents the greatest opportunity for revenue growth for us and we believe revenue from this market will constitute an increasingly greater proportion of our revenue over time. We believe that the markets for both our Enterprise solutions and Desktop solutions among small and medium size businesses also provide an opportunity for future growth.

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.

Directors' report for the year ended 30 September 2010 (continued)

Results and dividends

The company's result for the financial year is shown on page 6. The directors do not recommend the payment of a dividend (2009: £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, liquidity risk and interest rate cash flow 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 the company's products to keep pace with changing technology and address customers' needs; any failure to do so could reduce demand for the company's 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.

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.

Interest rate cash flow risk The company has no debt outside of the Parametric Technology Corporation Group of companies. The company has no interest bearing debt as of 30 September 2010. However as at 30 September 2009, the company had £9.5 million of intercompany debt subject to fluctuations in London Interbank Offered Rate "LIBOR" (see Note 12 to the financial statements).

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

Research and development

The company carries out research and 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. Research and development costs expensed for the year appear in Note 3 to the financial statements.

Directors' report for the year ended 30 September 2010 (continued)

Directors

The directors of the company during the year to 30 September 2010 and up to the date of signing of the financial statements are as follows

A von Staats (resigned 16 December 2009)
C Dunn
C Weingaertner (resigned 26 April 2010)
P Heck

The Directors of the company had the benefit of a qualifying indemnity provision (as provided through the ultimate parent company) throughout the financial year ending 30 September and is currently in force

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

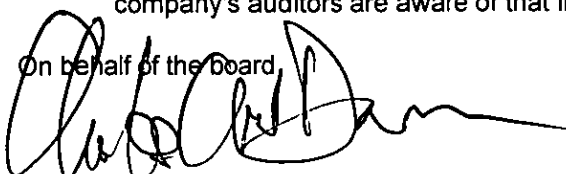
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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

On behalf of the Board,

C Dunn

Director

21st September 2011

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

We have audited the financial statements of Parametric Technology (UK) Limited for the year ended 30 September 2010 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities, set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Sam Taylor (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Reading

22 September 2011

Profit and loss account for the year ended 30 September 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|--|-------|-----------------|---------------|
| Turnover | 2 | 15,426 | 18,592 |
| Cost of sales | | (3,608) | (4,145) |
| Gross profit | | 11,818 | 14,447 |
| Administrative expenses | | (18,648) | (21,563) |
| Other operating income | | 5,839 | 5,043 |
| Operating loss | 3 | (991) | (2,073) |
| Interest receivable and similar income | 4 | 13 | 43 |
| Interest payable and similar charges | 5 | (103) | (404) |
| Loss on ordinary activities before taxation | | (1,081) | (2,434) |
| Tax (charge)/credit on loss on ordinary activities | 8 | (382) | 353 |
| Loss for the financial year | 17 | (1,463) | (2,081) |

All results derive from continuing operations

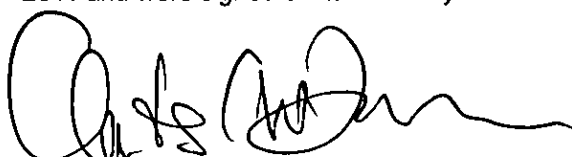
The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented

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

Balance sheet as at 30 September 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|------|----------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 9 | - | - |
| Tangible assets | 10 | 591 | 405 |
| | | 591 | 405 |
| Current assets | | | |
| Debtors amounts falling due within one year | 11 | 5,827 | 5,077 |
| Debtors amounts falling due after more than one year | 11 | 278 | 462 |
| Cash at bank and in hand | | 326 | 224 |
| | | 6,431 | 5,763 |
| Creditors: amounts falling due within one year | 12 | (6,763) | (17,036) |
| Net current liabilities | | (332) | (11,273) |
| Total assets less current liabilities | | 259 | (10,868) |
| Provisions for liabilities and charges | 13 | (125) | (242) |
| Net assets/(liabilities) | | 134 | (11,110) |
| Capital and reserves | | | |
| Called up share capital | 16 | 138 | 73 |
| Share premium account | 17 | 27,331 | 14,396 |
| Other reserves | 17 | 826 | 1,119 |
| Profit and loss account | 17 | (28,161) | (26,698) |
| Total equity shareholders' funds/(deficit) | 18 | 134 | (11,110) |

The financial statements on pages 6 to 19 were approved by the board of directors on 2 / September 2011 and were signed on its behalf by



C Dunn
Director

Company Number: 02513030

Notes to the financial statements for the year ended 30 September 2010

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 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year 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.

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 Disclosures' from disclosing related party transactions with entities that are part of the Parametric Technology Corporation Group.

Turnover

Turnover is derived from the licensing of product lifecycle management (PLM) 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. Turnover from software maintenance contracts and royalties is recognised monthly over the contract period. Turnover from consulting and training is recognised upon performance. Turnover is stated net of value added tax and trade discounts.

Accrued income

Revenue that is due on services rendered but not billed is included in accrued income.

Deferred income

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

Other operating income

Other operating income includes 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.

Notes to the financial statements for the year ended 30 September 2010 (continued)

1 Principal accounting policies (continued)

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 – 'Goodwill and Intangible Assets' 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 of £15.0 million has been made. The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Deferred taxation

Deferred taxation 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 historical purchase 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 | 3 years |

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 into sterling at the exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated into sterling 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.

Notes to the financial statements for the year ended 30 September 2010 (continued)

1 Principal accounting policies (continued)

Pension costs

The company operates a number of defined contribution pension schemes. The assets of the schemes are held in independently administered funds. The company's contributions to the defined contribution schemes are charged to the profit and loss account as they fall due (Note 20).

Research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

Share based payments

The Parametric Technology Corporation group issues equity-settled share based payments to certain employees. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on estimates of shares that will eventually vest. At each balance sheet date, the company revises its estimates of the number of equity settled share based payments that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2 Turnover

| | 2010 | 2009 |
|---------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Licence revenue | 2,093 | 3,176 |
| Maintenance revenue | 9,938 | 10,687 |
| Training and consulting revenue | 3,395 | 4,729 |
| | 15,426 | 18,592 |

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 2010 (continued)

3 Operating loss

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Operating loss is stated after charging/(crediting) | | |
| Depreciation of tangible assets | 187 | 243 |
| Impairment of intangible assets (note 9) | - | 525 |
| Operating lease rentals | | |
| - plant and machinery | 50 | 76 |
| - other | 714 | 703 |
| Research and development | 4,570 | 4,461 |
| Net exchange difference on foreign currency | (42) | (152) |
| Services provided by the Company's auditor | | |
| - Fees payable to Company auditor for the audit | 81 | 64 |
| Fees payable to Company auditor for other services | | |
| - Taxation services | 8 | 8 |

4 Interest receivable and similar income

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Bank interest receivable | - | 5 |
| Other interest receivable | 13 | 13 |
| Interest receivable on facility deposits | - | 25 |
| | 13 | 43 |

5 Interest payable and similar charges

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Interest payable to group undertakings | 103 | 404 |

Notes to the financial statements for the year ended 30 September 2010 (continued)

6 Staff numbers and costs

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

| | 2010 Number | 2009 Number |
|------------------------|----------------|----------------|
| Sales | 43 | 51 |
| General administration | 12 | 13 |
| Support services | 56 | 55 |
| Technical development | 58 | 63 |
| | 169 | 182 |

The aggregate payroll costs were as follows

| | 2010 £'000 | 2009 £'000 |
|------------------------------------|---------------|---------------|
| Wages and salaries | 11,070 | 11,928 |
| Social security costs | 1,110 | 1,362 |
| Stock based compensation (note 19) | 1,022 | 936 |
| Other pension costs (note 20) | 406 | 416 |
| | 13,608 | 14,642 |

7 Directors' emoluments

No directors are remunerated for their services as directors of Parametric Technology (UK) Limited (2009 £nil). No directors were entitled to retirement benefits under any pension scheme at 30 September 2010 (2009 none). The directors are employed by the group and their services to the company are incidental. Four directors (2009 four) exercised share options during the year.

Notes to the financial statements for the year ended 30 September 2010 (continued)

8 Tax charge/(credit) on loss on ordinary activities

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Current tax | | |
| United Kingdom corporation tax on loss for the year | - | (353) |
| Adjustments in respect of previous years | 382 | - |
| Tax charge/(credit) on loss on ordinary activities | 382 | (353) |

The current tax of £382,000 relates to an adjustment of losses surrendered via group relief in prior years. The 2009 tax credit of £353,000 relates to losses surrendered via group relief.

Factors affecting tax in the current year and prior year

The tax assessed for the year is higher (2009 higher) than the income before tax multiplied by the standard rate of corporation tax in the UK (28%) (2009 29%). The differences are explained below.

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Loss on ordinary activities before tax | (1,081) | (2,434) |
| Loss on ordinary activities before tax multiplied by standard rate in the UK of 28% (2009 29%) | (303) | (682) |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 253 |
| Accelerated capital allowances and other timing differences | 303 | 76 |
| Adjustments to tax charge in respect of previous years | 382 | - |
| Current tax charge/(credit) for the year | 382 | (353) |

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. Based on the unrecognised deferred tax balances as at 30 September 2010, this has led to a reduction in the potential deferred tax asset of £0.5 million.

The UK Government announced a further reduction in the rate of corporation tax from 27 per cent to 26 per cent with effect from 1 April 2011 and from 26 per cent to 25 per cent with effect from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1 percent per annum to 23 per cent by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The overall effect of the further changes from 27 per cent to 23 per cent, if these applied to the unrecognised deferred tax balance at 30 September 2010, would be to reduce the unrecognised deferred tax asset by approximately £1.8 million.

Notes to the financial statements for the year ended 30 September 2010 (continued)

9 Intangible assets

| | Goodwill £'000 |
|--|-------------------|
| Cost | |
| At 1 October 2009 and 30 September 2010 | 6,191 |
| Aggregate amortisation | |
| At 1 October 2009 and 30 September 2010 | (6,191) |
| Net book value | |
| At 30 September 2010 and 30 September 2009 | - |

In the prior year the Company acquired intangible assets, being mainly customer lists, from a fellow Group company for a total consideration of £525,000. It was determined that the carrying value of these intangible assets exceeded the recoverable amount and hence an impairment of £525,000 was recognised in the year ended 30 September 2009.

10 Tangible assets

| | Leasehold improvements £'000 | Fixtures and Fittings £'000 | Total £'000 |
|---------------------------------|------------------------------------|-----------------------------------|----------------|
| Cost | | | |
| At 1 October 2009 | 172 | 679 | 851 |
| Additions | - | 423 | 423 |
| Disposals | - | (50) | (50) |
| At 30 September 2010 | 172 | 1,052 | 1,224 |
| Accumulated depreciation | | | |
| At 1 October 2009 | 54 | 392 | 446 |
| Charge for the year | 45 | 142 | 187 |
| At 30 September 2010 | 99 | 534 | 633 |
| Net book value | | | |
| At 30 September 2010 | 73 | 518 | 591 |
| At 30 September 2009 | 118 | 287 | 405 |

Notes to the financial statements for the year ended 30 September 2010 (continued)

11 Debtors

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Trade debtors | 1,892 | 4,310 |
| Amounts owed by group undertakings | 3,400 | 255 |
| Prepayments and accrued income | 535 | 512 |
| | 5,827 | 5,077 |
| Amounts falling due after more than one year. | | |
| Accrued income | - | 195 |
| Other debtors | 278 | 267 |
| | 278 | 462 |

Amounts owed by group undertakings relate to the recharge of costs borne by the company on behalf of other group entities. They are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due within one year

| | 2010 £'000 | 2009 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 34 | 228 |
| Amounts owed to group undertakings | 723 | 10,009 |
| Taxes and social security | 737 | 746 |
| Accruals and deferred income | 5,269 | 6,053 |
| | 6,763 | 17,036 |

Included in the amounts owed to group undertakings is a short term loan facility of £nil (2009 £9,546,000 bearing interest at LIBOR + 0.5% per annum).

13 Provisions for liabilities and charges

| | Facility Restoration £'000 | Onerous lease £'000 | Total |
|-----------------------------------|----------------------------------|---------------------------|--------------|
| At 1 October 2009 | 98 | 144 | 242 |
| Charge to profit and loss account | 19 | (4) | 15 |
| Utilised during the year | - | (132) | (132) |
| At 30 September 2010 | 117 | 8 | 125 |

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.

Provision has also been made for future restoration costs of leased properties.

Notes to the financial statements for the year ended 30 September 2010 (continued)

14 Deferred tax

The unrecognised deferred taxation asset is as follows

| | 2010 £'000 | 2009 £'000 |
|---|-----------------|-----------------|
| Capital allowances in excess of depreciation | (1,747) | (1,965) |
| Short term timing difference | (212) | (547) |
| Losses | (10,057) | (10,014) |
| Total deferred tax asset not recognised | (12,016) | (12,526) |
| 1 October | (12,526) | (12,450) |
| Movement on unrecognised deferred tax in the year | 510 | (76) |
| At 30 September | (12,016) | (12,526) |

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

15 Financial commitments

As at 30 September 2010 the company had annual commitments under non-cancellable operating lease agreements expiring as follows

| | 2010 | | | 2009 | | |
|-------------------------|--------------------------------|----------------|----------------|--------------------------------|----------------|----------------|
| | Land and Buildings £'000 | Other £'000 | Total £'000 | Land and Buildings £'000 | Other £'000 | Total £'000 |
| Commitments expiring | | | | | | |
| Within 1 year | 549 | 30 | 579 | 190 | 21 | 211 |
| Within 2 to 5 years | 224 | 8 | 232 | 589 | 34 | 623 |
| After more than 5 years | - | - | - | - | - | - |
| Total | 773 | 38 | 811 | 779 | 55 | 834 |

16 Called up share capital

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Authorised: | | |
| 500,000 ordinary shares of £1 each | 500 | 500 |
| Allotted, called up and fully paid. | | |
| 138,185 ordinary shares of £1 each | 138 | 73 |

On 24 August 2010, the Company issued 65,000 ordinary shares to the immediate parent company, Parametric Holdings (UK) Limited. The shares have a nominal value of £1 and rank pari passu with existing ordinary shares. Total consideration received was £13.0 million.

Notes to the financial statements for the year ended 30 September 2010 (continued)

17 Reserves

| | Profit and loss account £'000 | Other reserves £'000 | Share Premium account £'000 |
|------------------------------------|--|----------------------------|--------------------------------------|
| As at 1 October 2009 | (26,698) | 1,119 | 14,396 |
| Stock issuance | - | - | 12,935 |
| Loss for the financial year | (1,463) | - | - |
| Stock based compensation (note 19) | - | (293) | - |
| As at 30 September 2010 | (28,161) | 826 | 27,331 |

Other reserves are in relation to the equity incentive plan outlined in note 19

18 Reconciliation of movements in equity shareholders' fund

| | 2010 £'000 | 2009 £'000 |
|---|---------------|-----------------|
| Loss for the financial year | (1,463) | (2,081) |
| Stock based compensation (note 19) | (293) | 524 |
| Net proceeds of issue of ordinary share capital | 13,000 | - |
| Net increase/(decrease) in shareholder's funds | 11,244 | (1,557) |
| Shareholders' deficit at 1 October | (11,110) | (9,553) |
| Shareholders' funds /(deficit) at 30 September | 134 | (11,110) |

19 Equity incentive plan

The 2000 Equity Incentive Plan (2000 Plan) of the ultimate holding company, Parametric Technology Corporation provides for the grants of non qualified and incentive stock options, common stock, restricted stock, restricted stock units and stock appreciation rights to its employees, directors, officers and consultants. The United Kingdom employees participate in this plan.

The company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. That cost is recognised over the period during which an employee is required to provide service in exchange for the award.

Until 2005, the company generally granted stock options. For those options, the option exercise price was typically the fair market value at the date of grant, and they generally vested over four years and expire ten years from the date of grant. The fair value of options was estimated at the date of grant using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. No stock options have been granted since 2005 to United Kingdom employees.

Notes to the financial statements for the year ended 30 September 2010 (continued)

19 Equity incentive plan (continued)

A reconciliation of option movements over the year to 30 September 2010 is shown below

| | 2010 | | 2009 | |
|------------------------------------|---------------|---------------------------------|----------------|---------------------------------|
| | Shares | Weighted average exercise price | Shares | Weighted average exercise price |
| Outstanding at 1 October | 152,305 | \$ 15.91 | 203,845 | \$ 15.50 |
| Transfers out | (4,200) | \$ (16.91) | - | \$ - |
| Exercised | (37,690) | \$ (9.80) | (39,200) | \$ 11.27 |
| Forfeited | (28,750) | \$ (23.50) | (12,340) | \$ 23.89 |
| Outstanding at 30 September | 81,665 | \$ 16.00 | 152,305 | \$ 15.91 |
| Exercisable at 30 September | 81,665 | \$ 16.00 | 152,305 | \$ 15.91 |

Note - The weighted average exercise prices are in US Dollar (exchange rate of 1.5662)

Information for stock options outstanding at 30 September 2010 is shown below

| | 2010 | | | 2009 | | |
|--------------------------|----------------------------------|------------------|---|----------------------------------|------------------|---|
| Range of exercise prices | Weighted average exercises price | Number of shares | Weighted average remaining contractual life | Weighted average exercises price | Number of shares | Weighted average remaining contractual life |
| \$7.75 - \$9.75 | \$ 8.46 | 24,795 | 2.27 | \$ 8.64 | 50,945 | 3.30 |
| \$11.27 - \$29.20 | \$ 19.29 | 56,870 | 1.53 | \$ 18.71 | 98,800 | 2.28 |
| \$30.78 - \$76.72 | \$ - | 0 | - | \$ 52.71 | 2,560 | 0.25 |
| \$7.75 - \$76.72 | | 81,665 | | | 152,305 | |

Note - The weighted averaged exercise prices are in US Dollars (exchange rate of 1.5662)

The weighted average share price during the year for options exercised over the year was \$16.00 (2009 \$15.91). The total charge for the year relating to stock option employee share based payment plans was £nil (2009 £700), all of which related to equity-settled share based payment transactions.

Restricted Stock Units

Since 2005, the company has awarded restricted stock units as the principal equity incentive awards for United Kingdom employees. Each restricted stock unit represents the contingent right to receive one share of Parametric Technology Corporation common stock. The fair value of restricted stock units is based on the fair market value of Parametric Technology Corporation stock on the date of grant, and they are generally vested over a three year period.

The fair value of restricted stock units granted in the year was \$1.5 million (2009 \$1.4 million).

Notes to the financial statements for the year ended 30 September 2010 (continued)

19 Equity incentive plan (continued)

A reconciliation of restricted stock unit movements over the year to 30 September 2010 is shown below

| | 2010 | | 2009 | |
|------------------------------------|----------------|---|----------------|---|
| | Shares | Weighted average grant date price | Shares | Weighted average grant date price |
| Outstanding at 1 October | 259,965 | \$ 14.07 | 206,340 | \$ 17.71 |
| Granted | 93,233 | \$ 16.14 | 133,881 | \$ 10.26 |
| Transfers in | 249 | \$ 11.19 | - | \$ - |
| Transfers out | (3,348) | \$ (13.55) | (5,319) | \$ 18.36 |
| Released | (129,623) | \$ (15.36) | (58,991) | \$ 16.94 |
| Forfeited | (9,674) | \$ (10.22) | (15,946) | \$ 17.00 |
| Outstanding at 30 September | 210,802 | \$ 14.37 | 259,965 | \$ 14.08 |

The total charge for the year relating to employee restricted stock-based compensation was £1,022,000 (2009 £936,000), all of which related to equity-settled share-based payment transactions

20 Pension commitments

The company 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 company for the year were £406,000 (2009 £416,000). The contributions outstanding as at the balance sheet date were £50,000 (2009 £58,000).

21 Contingent liabilities

The company has no contingent liabilities at 30 September 2010 (2009 none).

22 Parent undertakings and ultimate controlling party

The company's immediate parent company at 30 September 2010 was Parametric Holdings (UK) Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and the parent of the smallest and 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 these consolidated financial statements can be obtained from

Parametric Technology (UK) Limited
1st Floor, The Hub, IQ Business Park, Fowler Avenue
Farnborough
GU14 7JF

Parametric Technology Corporation is the ultimate controlling party