Registered no: 02513030

Parametric Technology (UK) Limited

Annual report

for the year ended 30 September 2008

Parametric Technology (UK) Limited

Annual report
for the year ended 30 September 2008

Contents

Directors' report
for the year ended 30 September 2008

The directors present their report and the audited financial statements of the company for the year ended 30 September 2008.

Business review and principal activities

The company's principal activities during the year were the licensing 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 income of £28.7million (2007: loss of £4.8 million) for the year (after a gain of £25.6million arising from the waiving of various intercompany balances and a gain £7.7 million on the curtailment of the defined benefit pension scheme) and sales of £21.4 million (2007: £19.5 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 profit for the financial year is shown on page 5. The directors do not recommend the payment of a dividend (2007: £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 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.

Directors' report
for the year ended 30 September 2008 (continued)

Financial risk management (continued)

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's debt is primarily at fixed rate. However £12 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 January 2009, the company surrendered a lease, with an expiration date of 2009, relating to Technology House, Fleet for the sum of £643,315 (net). This property was sublet, not used for operations and 100% included in the onerous lease provision. The anticipated annual cash savings are approximately £360,000.

In August 2009, the company surrendered a lease, with an expiration date of 2014 and a break clause of September 2009, relating to Innovation House, Fleet for the sum of £878,137 (net). 59% of this property was empty, not used for operations and included in the onerous lease provision. The anticipated annual cash savings are approximately £865,000 and annual operating expense savings are approximately £410,000.

In July 2009, the company signed a 4 year lease, with an expiration date of 2013, relating to 1st Floor, The Hub, Farnborough Business Park, Farnborough to replace the Innovation House, Fleet facility. The anticipated annual cash and operating expense costs are approximately £390,000.

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 it's ultimate parent company, Parametric Technology Corporation. In total, research and development costs expensed for the year appear in Note 3 to the financial statements.

Directors

The directors of the company during the year to 30 September 2008 and up to the date of signing of the financial statements are as follows:

R D Seifert	(resigned 1 October 2008)
A von Staats	
T Gylling	(resigned 2 April 2008)
C Dunn	

C Weingaertner and P Heck were appointed directors on 1 October 2008 and remain in office up to the date of signing of the financial statements.

Directors' report
for the year ended 30 September 2008 (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;
• make judgements and estimates that are reasonable and prudent; and
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

16 ·12·2009

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 2008 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 2008 and of its profit 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

21 December 2009

Profit and loss account for the year ended 30 September 2008

	Notes	2008 £'000	2007 £'000
Turnover	2	**21,381**	19,500
Cost of sales		**(4,812)**	(4,203)
Gross profit		**16,569**	15,297
Administrative expenses		**(17,648)**	(22,613)
Other operating income		**31,120**	3,726
Operating profit/(loss)	3	**30,041**	(3,590)
Interest receivable and similar income	4	**262**	236
Interest payable and similar charges	5	**(991)**	(709)
Other finance expense	21	**(654)**	(730)
Profit/(loss) on ordinary activities before taxation		**28,658**	(4,793)
Tax credit on profit/(loss) on ordinary activities	8	**1,151**	623
Profit/(loss) for the financial year	18,19	**29,809**	(4,170)

All activities are from continuing operations.

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

Statement of total recognised gains and losses for the year ended 30 September 2008

	Notes	2008 £'000	2007 £'000
Profit/(loss) for the financial year		**29,809**	(4,170)
Actuarial gain/(loss) on pension scheme	21	**1,929**	(796)
Total recognised gains/(losses) for the year		**31,738**	(4,966)
Prior year adjustment for adoption of FRS 20		**-**	122
Total recognised gains/(losses) since the last annual report		**31,738**	(4,844)

Balance sheet
as at 30 September 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	435	686
		435	686
Current assets			
Debtors: amounts falling due within one year	11	8,856	7,332
Debtors: amounts falling due after more than one year	11	4,547	4,822
Cash at bank and in hand		424	1,875
		13,827	14,029
Creditors: amounts falling due within one year	12	(10,448)	(7,813)
Net current assets		3,379	6,216
Total assets less current liabilities		3,814	6,902
Creditors: amounts falling due after more than one year	13	(11,683)	(45,616)
Provisions for liabilities and charges	14	(1,684)	(1,852)
Net liabilities excluding pension liability		(9,553)	(40,566)
Pension liability	21	-	(9,066)
Net liabilities including pension liability		(9,553)	(49,632)
Capital and reserves			
Called up share capital	17	73	29
Share premium account	18	14,396	5,603
Other reserves	18	595	1,091
Profit and loss account	18	(24,617)	(56,355)
Total equity shareholders' deficit	19	(9,553)	(49,632)

The financial statements on pages 5 to 22 were approved by the board of directors on 16-12-2009 and were signed on its behalf by:

Charles C W Dunn

C Dunn
Director

Notes to the financial statements for the year ended 30 September 2008

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 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

Revenue 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. Revenue from software maintenance contracts and royalties is recognised monthly over the contract period. Revenue from consulting and training is recognised upon performance. Revenue is stated net of VAT and trade discounts.

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.

Deferred income

The group undertakes to maintain customers' software under maintenance contracts on which the company invoices in advance. The income is recognised as revenue 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. In 2008 it also includes a gain arising from the waiving of various intercompany balances and a gain arising on the curtailment of the defined benefit pension scheme.

Notes to the financial statements for the year ended 30 September 2008 (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 £15,009,000 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	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 2008 (continued)

1 Principal accounting policies (continued)

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.

On 15 July 2008, the company made a contribution of £341,000 to the defined benefit pension scheme. This represented the final balancing payment towards the Section 75 Debt, effectively closing the company's liability to the plan. The plan commenced wind up on 23 February 1999. Due to the date of commencement of wind-up, the Section 75 Debt was based on the statutory Minimum Funding Requirement (MFR) basis for the deferred member liability. As a result, the Section 75 Debt amount was significantly less than the deficit on an FRS17 basis and also significantly less than the cost of meeting full benefits on a buyout basis. Reduced benefits have been secured for the members.

Prior to the closing of the scheme the scheme assets ware measured using market value. Pension scheme liabilities were measured using the projected unit actuarial method and were discounted at the 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 company's defined benefit pension schemes expected to arise from employee service in the period was 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 were included in other finance income. Actuarial gains and losses were 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 (Note 21).

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

On 1 October 2006, Parametric Technology (UK) Limited applied the requirements of FRS 20 'Share based payments'. This is applied retrospectively to all grants issued since 7 November 2002 that have not yet vested by 1 October 2006.

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. The credit is taken as an adjustment to reserves.

Fair value is determined by the Black-Scholes pricing model. The expected life has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Notes to the financial statements for the year ended 30 September 2008 (continued)

2 Turnover

	2008 £'000	2007 £'000
Licence revenue	**6,012**	4,722
Maintenance revenue	**9,999**	9,306
Training and consulting revenue	**5,370**	5,472
	21,381	19,500

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

3 Operating profit/(loss)

	2008 £'000	2007 £'000
Operating profit/(loss) is stated after charging:		
Services provided by company's auditor:		
- fees payable for audit	**70**	73
Depreciation of tangible assets:		
- owned	**287**	488
Impairment of intangible assets(note 9)	**658**	-
Operating lease rentals:		
- plant and machinery	**89**	84
- other	**503**	957
Research and development	**4,504**	3,476
Provision for onerous lease (note 14)	**2,305**	919
Net exchange difference on foreign currency	**(185)**	39
Waiver of intercompany balances (note 13)	**(25,598)**	-
Gain on curtailment of pension plan (note 21)	**(7,725)**	-

Notes to the financial statements for the year ended 30 September 2008 (continued)

4 Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest receivable	**32**	7
Other interest receivable	**42**	36
Interest receivable on facility deposits	**188**	193
	262	236

5 Interest payable and similar charges

	2008 £'000	2007 £'000
Interest payable to group undertakings	**991**	709

6 Staff numbers and costs

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

	2008 Number	2007 Number
Sales	**67**	77
General administration	**20**	23
Support services	**56**	57
Technical development	**51**	29
	194	186

The aggregate payroll costs were as follows:

	2008 £'000	2007 £'000
Wages and salaries	**12,970**	12,965
Social security costs	**1,659**	1,450
Stock based compensation (Note 20)	**537**	517
Other pension costs (Note 21)	**470**	423
	15,636	15,355

7 Directors' emoluments

No directors are remunerated for their services as directors of Parametric Technology (UK) Limited (2007: £nil). No directors were entitled to retirement benefits under any pension scheme at 30 September 2008 (2007: £nil). The directors are employed by the group and their services to the company are incidental. Four directors (2007: four) exercised share options during the year.

Notes to the financial statements for the year ended 30 September 2008 (continued)

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

	2008 **£'000**	2007 £'000
Current tax:		
United Kingdom corporation tax on profits/(losses) of the period	**(1,099)**	(585)
Adjustments in respect of previous periods	**(52)**	(38)
Tax credit on profit/(loss) on ordinary activities	**(1,151)**	(623)

The current tax credit of £1,099,000 (2007: £585,000) relates to losses surrendered via group relief.

Factors affecting the tax credit in the current year and prior year

The tax assessed for the year is lower (2007: higher) than the income before tax multiplied by the standard rate of corporation tax in the UK (29%). The differences are explained below:

	2008 **£'000**	2007 £'000
Profit/(loss) on ordinary activities before tax	**28,658**	(4,793)
Profit/(loss) on ordinary activities before tax multiplied by standard rate in the UK of 29% (2007: 30%)	**8,311**	(1,438)
Effects of:		
Expenses not deductible for tax purposes	**(6,904)**	213
Accelerated capital allowances and other timing differences	**(2,506)**	640
Adjustments to tax charge in respect of previous period	**(52)**	(38)
Current tax credit for the year	**(1,151)**	(623)

The standard rate of corporation tax in the UK changed to 28% with effect from 1 April 2008.

Notes to the financial statements for the year ended 30 September 2008 (continued)

9 Intangible assets

	Goodwill £'000
Cost	
At 1 October 2007	5,008
Additions	658
At 30 September 2008	**5,666**
Aggregate amortisation	
At 1 October 2007	(5,008)
Impairment charge	(658)
At 30 September 2008	**(5,666)**
Net book value	
At 30 September 2008	-
At 30 September 2007	-

10 Tangible assets

	Leasehold improvements £'000	Fixtures and Fittings £'000	Total £'000
Cost			
At 1 October 2007	1,406	618	2,024
Additions	66	254	320
Disposals	(550)	(141)	(691)
At 30 September 2008	**922**	**731**	**1,653**
Accumulated depreciation			
At 1 October 2007	978	360	1,338
Charge for the year	84	203	287
Disposals	(266)	(141)	(407)
At 30 September 2008	**796**	**422**	**1,218**
Net book value			
At 30 September 2008	**126**	**309**	**435**
At 30 September 2007	428	258	686

Notes to the financial statements for the year ended 30 September 2008 (continued)

11 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Trade debtors	**6,566**	4,421
Amounts owed by group undertakings	**985**	1,664
Other debtors	**10**	99
Prepayments and accrued income	**1,295**	1,148
	8,856	7,332
Amounts falling due after more than one year:		
Trade debtors	**-**	350
Other debtors	**4,547**	4,472
	4,547	4,822

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

12 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	**68**	114
Amounts due to group undertakings	**1,875**	187
Other taxes and social security	**1,384**	1,069
Accruals and deferred income	**7,121**	6,443
	10,448	7,813

The 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

	2008 £'000	2007 £'000
Amounts due to group companies	**11,683**	45,616

Interest on long term loans included in amounts due to group companies of £nil (2007: £928,000) above is charged at 6.5% (2007: 6.5%) per annum. Included in amount due to group companies is an amount of £11,683,000 (2007: £10,902,000) whereby interest is payable at LIBOR + 0.5% per annum.

The remaining amount due to group companies in the prior year bore no interest. The amounts due were unsecured and had no fixed repayment date.

Notes to the financial statements for the year ended 30 September 2008 (continued)

13 Creditors: amounts falling due after more than one year (continued)

On 25 February 2008, the company settled the unsecured intercompany balances due to Parametric Holdings Inc. of £3,062,000 and £928,000 following the issuance of 44,185 ordinary shares to Parametric Holdings (UK) Limited for a consideration of £8,837,000. On 29 February 2008, Division Group Limited and Division Limited waived their right and obligations to the unsecured intercompany balances due from Parametric Technology (UK) Limited of £18,928,894 and £5,031,981 respectively. On 16 December 2007, Arbortext Software Limited waived its right and obligations to the unsecured intercompany balance due from Parametric Technology UK Limited of £1,637,402.

14 Provisions for liabilities and charges

	Property lease
	£'000
At 1 October 2007	1,852
Utilised during the year	(2,473)
Charge to profit and loss account (Note 3)	2,305
At 30 September 2008	**1,684**

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:

	2008	2007
	£'000	£'000
Capital allowances in excess of depreciation	**(1,918)**	(2,421)
Short term timing difference	**(547)**	(747)
Losses	**(9,985)**	(9,293)
Unrecognised deferred tax excluding that relating to the pension liability	**(12,450)**	(12,461)
Pension liability	**-**	(2,539)
Total deferred tax asset not recognised	**(12,450)**	(15,000)
1 October	**(15,000)**	(15,198)
Movement on unrecognised deferred tax in the year	**2,550**	198
At 30 September	**(12,450)**	(15,000)

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 2008 (continued)

16 Financial commitments

As at 30 September 2008 the company had annual commitments under non-cancellable operating lease agreements expiring as follows:

	2008			2007		
	Land and Buildings £'000	**Other £'000**	**Total £'000**	Land and Buildings £'000	Other £'000	Total £'000
Commitments expiring:						
Within 1 year	**653**	**6**	**659**	-	-	-
Within 2 to 5 years	**514**	**69**	**583**	1,195	78	1,273
After more than 5 years	**-**	**-**	**-**	390	-	390
Total	**1,167**	**75**	**1,242**	1,585	78	1,663

17 Called up share capital

	2008 £'000	2007 £'000
Authorised:		
100,000 (2007: 100,000) ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid:		
73,185 (2007: 29,000) ordinary shares of £1 each	**73**	29

On 25 February 2008, the company issued 44,185 ordinary shares to Parametric Holdings (UK) Limited for a consideration of £8,837,000.

18 Reserves

	Profit and loss account £'000	**Other reserves £'000**	**Share premium account £'000**
As at 1 October 2007	(56,355)	1,091	5,603
Premium on ordinary shares issued	-	-	8,793
Income for the financial year	29,809	-	-
Stock based compensation (Note 20)		(496)	
Actuarial gain on pension scheme (Note 21)	1,929	-	-
As at 30 September 2008	**(24,617)**	**595**	**14,396**

Notes to the financial statements for the year ended 30 September 2008 (continued)

19 Reconciliation of movements in equity shareholders' deficit

	2008 £'000	2007 £'000
Profit/(loss) for the financial year	**29,809**	(4,170)
Stock based compensation (Note 20)	**(496)**	517
Actuarial gain/(loss) on pension scheme (Note 21)	**1,929**	(796)
Net proceeds of issue of ordinary share capital	**8,837**	3,400
Net increase/(decrease) in equity shareholder's funds	**40,079**	(1,049)
Equity shareholders' deficit at 1 October	**(49,632)**	(48,583)
Equity shareholders' deficit at 30 September	**(9,553)**	(49,632)

20 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 UK 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 UK employees.

Notes to the financial statements for the year ended 30 September 2008 (continued)

20 Equity incentive plan (continued)

A reconciliation of option movements over the year to 30 September 2008 is shown below:

	2008		2007	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at 1 October	215,670	$ 16.68	304,920	$ 15.09
Granted	-	$ -	-	$ -
Transfers in	48,500	$ 11.99	-	$ -
Exercised	(34,775)	$ 9.46	(76,805)	$ 9.94
Forfeited	(25,550)	$ 27.04	(12,445)	$ 19.35
Outstanding at 30 September	203,845	$ 16.68	215,670	$ 16.68
Exercisable at 30 September	203,845	$ 15.50	197,340	$ 17.23

Information for stock options outstanding at 30 September 2008 is shown below:

	2008			2007		
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	$ 8.68	62,385	4.31	$ 8.67	78,210	8.67
$11.27 - $29.20	$ 17.43	135,500	3.58	$ 18.66	119,550	18.66
$30.78 - $76.72	$ 41.61	5,960	0.94	$ 38.45	17,910	38.45
$7.75 - $76.72		203,845			215,670	

Note - The weighted averaged exercise prices are in USD.

The weighted average share price during the year for options exercised over the year was $15.50 (2007: $17.23). The total charge for the year relating to stock option employee share based payment plans was £42,000 (2007: £72,000), all of which related to equity-settled share based payment transactions.

Restricted Stock Units

Since 2005, the company have awarded restricted stock units as the principal equity incentive awards for UK 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.

The weighted average fair value of restricted stock units granted in the year was $2.6m (2007: $0.8m).

Notes to the financial statements for the year ended 30 September 2008 (continued)

20 Equity incentive plan (continued)

A reconciliation of restricted stock unit movements over the year to 30 September 2008 is shown below:

	2008			2007		
	Shares		Weighted average grant date price	Shares		Weighted average grant date price
Outstanding at 1 October	83,010	$	16.84	93,725	$	15.34
Granted	149,260	$	17.80	45,216	$	18.29
Transfers in	22,287	$	17.34	-	$	-
Transfers out	(186)	$	17.93	-	$	-
Released	(44,872)	$	16.31	(46,716)	$	15.35
Forfeited	(3,159)	$	16.57	(9,215)	$	16.29
Outstanding at 30 September	206,340	$	17.71	83,010	$	16.84

The total charge for the year relating to employee restricted stock-based compensation was £495,000 (2007: £445,000), all of which related to equity-settled share-based payment transactions.

21 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 £470,000 (2007: £423,000). The contributions outstanding as at the balance sheet date were £55,000 (2007: £28,000).

Defined benefit scheme

On 15 July 2008, the company made a contribution of £341,000 to the defined benefit pension scheme. This represented the final balancing payment towards the Section 75 Debt, effecting closing the company's liability to the plan. The plan commenced wind up on 23 February 1999. Due to the date of commencement of wind-up, the Section 75 Debt was based on the statutory Minimum Funding Requirement (MFR) basis for the deferred member liability. As a result, the Section 75 Debt amount was significantly less than the deficit on an FRS17 basis and also significantly less than the cost of meeting full benefits on a buyout basis. Reduced benefits have been secured for the members.

An actuarial valuation of the defined benefit scheme was carried out as at 30 September 2008 by Harry Harper FIA. The major assumptions used by the independent actuary were:

	2008	2007	2006
	%	%	%
Rate of increase in salaries	**n/a**	n/a	n/a
Rate of increase in pensions in payment			
- on pensions accrued after April 1997	**3.70**	3.30	2.875
- on pensions accrued prior to April 1997	**0.00**	0.00	0.00
Rate of increase in pensions in deferment	**3.70**	3.30	2.875
Discount rate	**5.80**	5.40	5.00
Inflation assumption	**3.70**	3.30	2.875

Notes to the financial statements for the year ended 30 September 2008 (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 2008	**Value at 30 September 2008**	Long-term rate of return expected at 30 September 2007	Value at 30 September 2007	Long-term rate of return expected at 30 September 2006	Value at 30 September 2006
	%	£'000	%	£'000	%	£'000
Bonds	n/a	-	0.00	-	3.90	15,032
Bulk annuities	n/a	-	4.20	16,764	-	-
Total market value of assets		-		16,764		15,032
Present value of scheme liabilities		-		(25,830)		(25,739)
Deficit in the scheme		-		(9,066)		(10,707)
Related deferred tax asset		-		-		-
Net pension liability		-		(9,066)		(10,707)

Analysis of amount charged to operating profit	**2008 £'000**	2007 £'000
Current service cost	-	-
Settlements and curtailments	**(7,725)**	-
Total operating charge	**(7,725)**	-

Analysis of amount charged to other finance cost	**2008 £'000**	2007 £'000
Expected return on pension scheme assets	**666**	557
Interest on pension scheme liabilities	**(1,320)**	(1,287)
Net finance cost	**(654)**	(730)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	**2008 £'000**	2007 £'000
Actual return less expected return on pension scheme assets	**654**	(1,286)
Experience gains and losses arising on the scheme liabilities	-	(77)
Changes in assumptions underlying the present value of the scheme liabilities	**1,275**	567
Actuarial gain/(loss) recognised in the STRGL	**1,929**	(796)

Notes to the financial statements for the year ended 30 September 2008 (continued)

21 Pension commitments (continued)

Movement in deficit during the year	**2008 £'000**	2007 £'000
Deficit in scheme at the beginning of the year	**(9,066)**	(10,707)
Movement in year:		
Current service cost	**-**	-
Contribution	**341**	3,400
Expenses	**(275)**	(233)
Curtailment gain	**7,725**	-
Other finance cost	**(654)**	(730)
Actuarial gain/(loss) recognised in the STRGL	**1,929**	(796)
Deficit in scheme at the end of the year	**-**	(9,066)

The company has no contingent liabilities at 30 September 2008 (2007: £nil).

History of experience gains and losses	**2008 £'000**	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return of scheme assets:	654	(1,286)	252	833	(25)
Percentage of scheme assets at year end	n/a	(8%)	2%	6%	0%
Experience gains and losses of scheme liabilities	-	(77)	987	398	536
Percentage of the present value of the scheme liabilities at year end	n/a	0%	4%	2%	3%
Total amount recognised in the STRGL	1,929	(796)	(595)	(2,741)	68
Percentage of the present value of the scheme liabilities at year end	n/a	(3%)	(2%)	(11%)	0%

22 Contingent liabilities

The company has no contingent liabilities at 30 September 2008 (2007: £nil).

23 Parent undertakings and ultimate controlling party

The company's immediate parent company at 30 September 2008 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.

Notes to the financial statements for the year ended 30 September 2008 (continued)

24 Post balance sheet events

In January 2009, the company surrendered a lease, with an expiration date of 2009, relating to Technology House, Fleet for the sum of £643,315 (net). This property was sublet, not used for operations and 100% included in the onerous lease provision. The anticipated annual cash savings are approximately £360,000.

In August 2009, the company surrendered a lease, with an expiration date of 2014 and a break clause of September 2009, relating to Innovation House, Fleet for the sum of £878,137 (net). 59% of this property was empty, not used for operations and included in the onerous lease provision. The anticipated annual cash savings are approximately £865,000 and annual operating expense savings are approximately £410,000.

In July 2009, the company signed a 4 year lease, with an expiration date of 2013, relating to 1st Floor, The Hub, Farnborough Business Park, Farnborough to replace the Innovation House, Fleet facility. The anticipated annual cash and operating expense costs are approximately £390,000.