

Registered no: 2513030

Parametric Technology (UK) Limited
Annual report
for the year ended 30 September 2002



Parametric Technology (UK) Limited

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Directors' report for the year ended 30 September 2002

The directors present their report and the audited financial statements for the year ended 30 September 2002.

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

Our license, maintenance and training and consulting revenue continues to be adversely affected by continued weakness in technology spending and the relative saturation and increased competitiveness in the European markets for our mechanical computer-aided design tools and the relative infancy of the market for our web-based collaboration technologies. Our overall performance will depend on: improved economic conditions and the strengthening of technology spending in the global manufacturing sector; our ability to differentiate our products and services from those of our competitors; our ability to optimise our sales and services coverage and productivity through, among other means, effective utilisation and management of our resellers as well as our own sales force; our success at penetrating strategic emerging markets; and our ability to execute our business strategies while simultaneously continuing to reduce our operating cost structure. We feel it is prudent to maintain a cautious outlook for 2004, 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 (2001: £Nil).

Directors

The directors of the company during the year to 30 September 2002, all of whom have served throughout the year, unless otherwise stated, are as follows:

R D Seifert	
T L Beaudoin	(appointed 8 January 2002)
J F Kelliher	(resigned 2 January 2002)
D R Freidman	(resigned 30 September 2002)

A von Straat was appointed a director on 15 November 2002.

Company Secretary C Dunn.

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 2002.

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 meeting, 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.

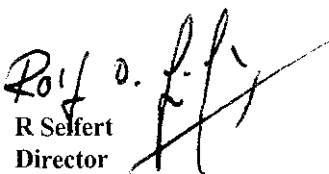
The directors confirm that suitable accounting policies have been used and applied consistently with the exception of changes arising from the adoption of new accounting standards in the year as explained in note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2002 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 LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be submitted at the Annual General Meeting.

On behalf of the Board


R Selfert
Director

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. 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 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.

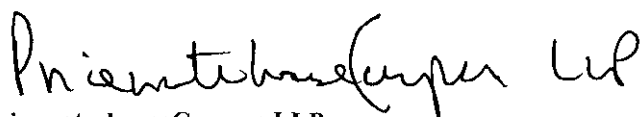
Basis of audit opinion

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

16 March 2004

**Profit and loss account
for the year ended 30 September 2002**

	Notes	2002 £'000	2001 £'000
Turnover	2	32,363	44,786
Cost of sales		(6,380)	(14,981)
Gross profit		25,983	29,805
Ordinary administrative expenses		(43,205)	(44,239)
Exceptional administrative expenses		(1,741)	-
Total administrative expenses		(44,946)	(44,239)
Other operating income		12,012	13,341
Operating loss	7	(6,951)	(1,093)
Interest receivable	3	96	247
Interest payable	4	(188)	(288)
Loss on ordinary activities before taxation		(7,043)	(1,134)
Taxation	8	105	(64)
Loss for the year	19	(6,938)	(1,198)

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.

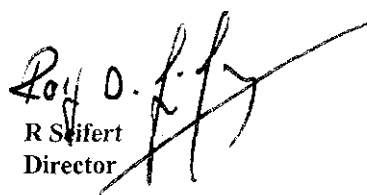
All activities are from continuing operations.

Balance Sheet

at 30 September 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Intangible assets	9	-	2,751
Tangible assets	10	2,056	2,719
Investments	11	-	-
		2,056	5,470
Current assets			
Debtors: due after more than one year	12	3,957	4,010
Debtors: due within one year	12	17,964	17,335
Cash at bank and in hand		1,974	3,269
		23,895	24,614
Creditors: amounts falling due within one year	13	(17,086)	(24,498)
Net assets		6,809	116
Total assets less current liabilities		8,865	5,586
Creditors: amounts falling due after more than one year	14	(28,557)	(18,340)
Net liabilities		(19,692)	(12,754)
Capital and reserves			
Called up share capital	18	12	12
Share premium	19	2,220	2,220
Profit and loss account deficit	19	(21,924)	(14,986)
Equity shareholders' deficit	20	(19,692)	(12,754)

The financial statements on pages 4 to 17 were approved by the Board of Directors on 15th March 2004 and were signed on its behalf by:


 R Schifert
 Director

**Notes to the financial statements
for the year ended 30 September 2002****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 No. 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 FRS 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.

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.

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 taxation

Deferred taxation is recognised using the incremental liability method whereby deferred taxation is provided on a full provision basis, without discounting, on all timing differences that have arisen, but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

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 £265,000 (2001: £509,000) 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 FRS 8 "Related Party Transactions", has taken advantage of the exemption not to disclose transactions with other members of the group.

2 Turnover

	2002	2001
	£'000	£'000
Licence revenue	7,730	14,322
Maintenance revenue	13,163	15,154
Training and consulting revenue	11,470	15,310
	32,363	44,786

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

3 Interest receivable

	2002	2001
	£'000	£'000
Bank interest	96	247

4 Interest payable

	2002	2001
	£'000	£'000
Interest payable to parent undertaking	186	266
Finance charges	2	22
	188	288

5 Staff numbers and costs

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

	2002	2001
	Number	Number
Sales	125	131
General administration	28	39
Support services	129	146
Technical development	26	47
	308	363

The aggregate payroll costs were as follows:

	2002	2001
	£'000	£'000
Wages and salaries	21,347	21,659
Social security costs	1,891	2,969
Other pension costs	265	509
	23,503	25,137

6 Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	-	-
	-	-

There were no directors entitled to retirement benefits under a defined contribution pension scheme at 30 September 2002 (2001: nil).

7 Operating loss

	2002 £'000	2001 £'000
Operating loss is stated after charging:		
Auditors' remuneration:		
Audit fees	45	91
Non-audit fees	58	145
Depreciation of tangible assets:		
Owned	1,194	1,322
Operating lease rentals:		
Other	2,216	1,721
Plant and machinery	1,494	2,320
Amortisation of goodwill	2,751	1,002
Net exchange difference on foreign currency	295	21

Exceptional administrative expense represents excess amortisation of goodwill in order to fully write off remaining goodwill now considered by the directors to be fully impaired. Of the goodwill amortisation in the current year, £1,010,000 was the annual charge for amortisation had no impairment been considered necessary.

8 Taxation

	2002 £'000	2001 £'000
United Kingdom corporation tax at 30% (2001: 30%)		
Current	-	-
(Over)/under provision in respect of prior year	(105)	64
	(105)	64

The tax assessed for the period is different to the result before tax multiplied by the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£'000	£'000
Loss on ordinary activities before tax	(7,043)	(1,134)
Loss on ordinary activities multiplied by standard rate in the UK (30%)	(2,113)	(340)
Effects of:		
Expenses not deductible for tax purposes	1,003	699
Depreciation in excess of capital allowances	1,108	(707)
Group relief surrendered not paid	2	348
(Over)/under provision in respect of prior years	(105)	64
Current tax (credit)/charge for the year	(105)	64

9 Intangible assets

	Goodwill
	£'000
Cost	
At 1 October 2001 and 30 September 2002	5,008
Amortisation	
At 1 October 2001	2,257
Charge for the year	2,751
At 30 September 2002	5,008
At 30 September 2002	-
At 30 September 2001	2,751

The goodwill from acquisitions is being amortised over a period of 5 years, being the directors' estimate of the period over which economic benefit will be obtained. During the year the directors assessed that the remaining unamortised goodwill was impaired and increased the amortisation charge by a further £1,741,000 to write down the remaining net book amount of goodwill to £nil.

10 Tangible fixed assets

	Leasehold improvements £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 October 2001	1,420	4,397	96	5,913
Additions	128	489	-	617
Disposals and write-offs	-	(364)	(69)	(433)
At 30 September 2002	1,548	4,522	27	6,097
Depreciation				
At 1 October 2001	300	2,798	96	3,194
Charge for year	180	1,014	-	1,194
Disposals and write-offs	-	(278)	(69)	(347)
At 30 September 2002	480	3,534	27	4,041
Net book amount				
At 30 September 2002	1,068	988	-	2,056
At 30 September 2001	1,120	1,599	-	2,719

11 Investments

	£'000
As at 1 October 2001 and 30 September 2002	-

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

	2002 £'000	2001 £'000
Amounts due within one year:		
Trade debtors	10,411	12,087
Amounts owed by group undertakings	5,396	3,293
Corporation Tax	554	465
Other debtors	46	1,040
Prepayments and accrued income	1,557	450
	17,964	17,335
Amounts due after one year:		
Other debtors	3,957	4,010
	21,921	21,345

13 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	667	1,998
Amounts due to group undertakings	4,688	11,721
Payments on account	-	80
Tax and social security	1,595	1,795
Other creditors	-	175
Accruals and deferred income	10,136	8,729
	17,086	24,498

14 Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Amounts due to group companies	28,557	15,410
Accruals and deferred income	-	2,930
	28,557	18,340

Interest on long term loan amounts due to group companies of £928,000 (£928,000), included above, is charged at 6.5% (2001: 6%) per annum. The remaining amount due to group companies bears no interest. The amounts due have no fixed date of repayment.

15 Deferred tax

The unrecognised deferred taxation asset is as follows:

	2002 £'000	2001 £'000
Capital allowances in excess of depreciation	1,878	2,947
Short term timing difference	278	113
Losses	5,659	3,849
	7,815	6,909

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

16 Financial commitments

As at 30 September 2002 the group had annual commitments under non-cancellable operating lease agreements expiring as follows:

	2002			2001		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
Commitments expiring:						
Within one year	15	673	688	54	3,532	3,586
Within 2 to 5 years	1,172	189	1,361	75	96	171
After more than 5 years	380	-	380	1,378	-	1,378
Total	1,567	862	2,429	1,507	3,628	5,135

17 Capital Commitments

At 30 September 2002 there was no capital expenditure contracted for but not provided for in the financial statements (2001: £Nil).

18 Called up share capital

	2002 £'000	2001 £'000
Ordinary shares of £1 each		
Authorised:	100	100
Allotted, called up and fully paid:	12	12

19 Reserves

	Profit and loss £'000	Share premium £'000
As at 1 October 2001	(14,986)	2,220
Loss for the year	(6,938)	-
As at 30 September 2002	(21,924)	2,220

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

20 Reconciliation of shareholders' deficit

	2002 £'000	2001 £'000
Loss for the year	(6,938)	(1,198)
Shareholders' deficit at 1 October	(12,754)	(11,556)
Shareholders' deficit at 30 September	(19,692)	(12,754)

21 Employees' stock option plan

The employees of Parametric Technology (UK) Limited may enjoy the benefits of stock option plans which give certain employees the option to purchase shares in Parametric Technology Corporation. Details of the plans can be found in the financial statements of that company.

22 Pension schemes

The group operates a number of defined contribution pension schemes. The assets of the schemes are held in independently administered funds. The contributions to the schemes payable by the group for the period were £265,000 (2001: £509,000).

An actuarial valuation of the defined benefit scheme, which is closed to new members, was carried out as at 31 March 2001 by a qualified actuary. The major assumptions used by the actuary were:

	%
Investment return	8.0
Rate of increase in pensions	2.75 – 3.50
Inflation assumption	4.0

The company has continued to account for pensions in accordance with SSAP24 'Accounting for Pension Costs'. At the date of the most recent actuarial valuation, the market value of the assets was sufficient to cover 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The company also presents below the disclosure requirements under the transitional rules of FRS17 'Retirement Benefits'.

Major assumptions used by the actuaries were:

	2002 %	2001 %
Rate of increase in salaries	0.00	0.00
Rate of increase in pensions in payment	2.50	2.50
Rate of increase in pensions in deferment	2.50	2.50
Discount rate	5.40	6.00
Inflation assumption	2.50	2.50

The net liabilities in the defined benefit scheme and the expected rate of return under FRS 17 were as follows:

	Long-term rate of return expected at 30 September 2002 %	Value at 30 September 2002 £'000	Long-term rate of return expected at 30 September 2001 %	Value at 30 September 2001 £'000
Bonds	4.75	16,543	4.75	15,900
Total market value of assets		16,543		15,900
Present value of scheme liabilities		(21,056)		(18,603)
Deficit in the scheme		(4,513)		(2,703)
Related deferred tax liability		-		-
Net pension liability		(4,513)		(2,703)

If the above amounts had been recognised in the financial statements, the group's net liabilities and reserves would be as follows:

Impact on net liabilities	2002	2001
	£'000	£'000
Net liabilities excluding pension liability	(19,692)	(12,754)
Pension liability under FRS17	(4,513)	(2,703)
Net liabilities including FRS17 pension liability	(24,205)	(15,457)

Impact on reserves	2002	2001
	£'000	£'000
Profit and loss reserve excluding pension liability	(21,924)	(14,986)
Pension liability under FRS17	(4,513)	(2,703)
Profit and loss reserve including FRS17 pension liability	(26,437)	(17,689)

The following amounts would have been recognised in the performance statements in the year ended 30 September 2002 under the requirements of FRS17:

	2002
Analysis of amount charged to operating profit	£'000
Current service cost	-
Total operating charge	-
Analysis of amount charged to other finance income	£'000
Expected return on pension scheme assets	734
Interest on pension share liabilities	(1,089)
Net finance cost	(355)
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	£'000
Actual return less expected return on pension scheme assets	822
Experience gains and losses arising on the scheme liabilities	69
Changes in assumptions underlying the present value of the scheme liabilities	(2,346)
Actuarial loss recognised in the STRGL	(1,455)
Movement in deficit during the year	£'000
Deficit in scheme at the beginning of the year	(2,703)
Movement in year:	
Current service cost	-
Employer contributions	-
Other finance income	(355)
Actuarial loss recognised in STRGL	(1,455)
Deficit in scheme at year end	(4,513)
History of experience gains and losses	£'000
Difference between the expected and actual return of scheme assets:	822
Percentage of scheme assets at period end	5%
Experience gains and losses of scheme liabilities	69
Percentage of the present value of the scheme liabilities at period end	0%
Total amount recognised in statement of total recognised gains and losses	(1,455)
Percentage of the present value of the scheme liabilities at period end	(7)%

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

23 Contingent liabilities

The company has no contingent liabilities at 30 September 2002 (2001: nil)

24 Parent undertakings and ultimate controlling party

The company's immediate parent company at 30 September 2002 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
Innovation House
Harvest Crescent
Fleet
Hants
GU51 2QR

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