

# SIEMENS

Registration number 5191215

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
*(formerly Unigraphics Solutions Holdings (UK) Limited)*

**Directors' report and financial statements**

**For the year ended 31 December 2006**

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**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
*(formerly Unigraphics Solutions Holdings (UK) Limited)*

**Company information**

Directors	Peter Bichara Rose Marie Glazer Mark Edward Banham Guy Langley
Secretary	Gerard Thomas Gent
Company number	5191215
Registered office	Faraday House Sir William Siemens Square Frimley Surrey GU16 8QD
Auditors	KPMG LLP Arlington Business Park Theale Reading RG7 4SD
Business address	Knoll Road Camberley Surrey GU15 3SY

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
***(formerly Unigraphics Solutions Holdings (UK) Limited)***

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**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
***(formerly Unigraphics Solutions Holdings (UK) Limited)***

**Directors' report**

for the year ended 31 December 2006

The directors present their report and the Company and Group's financial statements for the year ended 31 December 2006.

**Principal activity and review of the business**

Siemens Product Lifecycle Management Software IV (GB) Ltd ("the Company") acts as a holding Company for Siemens Product Lifecycle Management Software (GB) Ltd and Siemens Product Lifecycle Management Software III (GB) Ltd (collectively "the Group").

The principal activity of the Company's subsidiaries was the supply of product lifecycle management and CAD/CAM software together with related services.

**Business Review**

As set out on page 7, the Group made an operating loss of £64.6m; this was primarily due to the amortisation and impairment of goodwill (£70.4m). The directors are pleased with the underlying performance of the Group for the year and expect the business to grow in the future. A direct comparison of the turnover and profitability included in these financial statements is difficult due to the prior period being a long accounting period and that software sales are skewed towards the Group's fourth quarter. The key aspects of the Group's trading are given below.

Software revenue growth is the key growth driver (and the key performance indicator for the business) because it drives all other revenue streams. The Group experienced strong sales of software in the final quarter and this is therefore expected to drive the growth in 2007 maintenance and services revenues. At Siemens Product Lifecycle Management Software (GB) Ltd, software revenue increased by 11% year-on-year due to large aerospace contracts which concluded in the final quarter. There was an increase in operating costs which impacted margins in this business.

At Siemens Product Lifecycle Management Software III (GB) Ltd revenue grew by 7% year-on-year reflecting the strong customer relationships of this business.

The only transactions in the Company during the year were the payment of loan interest, accountancy and bank charges, the impairment of investments (as explained in note 12) and the receipt of £14m of dividend income from its subsidiaries.

**Principal risks and uncertainties**

Our ability to compete successfully depends on factors both within and outside our control, including, among others, the successful and timely development of new software, versions and features, software performance and quality, pricing, customer service and support and PLM industry and general economic trends

- **Market Conditions** - If the PLM market does not develop as we anticipate, our revenue will be adversely affected. The PLM industry consists of both a CAx segment and a cPDM segment. The CAx industry is relatively mature and our ability to maintain this important source of revenue is dependent on our ability to continue to expand the functionality of our products, maintain our traditional customer base and expand into new industry sectors and geographies. If we are unable to sustain and grow our CAx business or if the PLM market does not develop as we anticipate, our financial condition and results of operations will be adversely affected. cPDM is a newer and less well known set of applications than CAx applications. As a result, cPDM may not achieve widespread acceptance or the level of penetration in the marketplace that we anticipate. If this market does not develop as we anticipate, our previous investments will not achieve the rate of return we desire and our financial condition and results of operations will be adversely affected.
- **Competitiveness of our products** - We consider that we have a world class Hi-tech product portfolio available. If we are unable to deliver new and innovative cost effective PLM software products and services, our revenues will be adversely affected. Through R&D and managed new releases we strive to maintain and grow our relative competitiveness and deliver to known road maps across consistent licensing models.

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
**(formerly Unigraphics Solutions Holdings (UK) Limited)**

**Directors' report (continued)**

for the year ended 31 December 2006

- *Economic environment* – Our customer base includes a high percentage of manufacturing companies, our inherent risk is that in any economic downturn our customers may reduce their expenditure on PLM and related software.
- *Competitive Environment* – Our products provide solutions within highly competitive markets generally competed by providers of a similar status. We work to seek key wins in each industry and develop key customers to help profile our products, although if unsuccessful our performance may deteriorate.
- *Expand into new vertical markets* - We believe that we can continue to expand PLM use into industries which have not traditionally bought PLM products. Competitive pressures are driving companies in many industries to search for opportunities to reduce development and production costs and to expedite overall time-to-market cycles. As such, companies in industry sectors that were not traditional users of PLM software are beginning to invest in our software and services in order to support global outsourcing and collaborative product development initiatives. We have developed specific applications for some of these industries, including consumer packaged goods, retail and apparel, life sciences and shipbuilding. For each industry, our software and services are designed such that they can be rapidly implemented to produce return on investment for new customers so they can quickly experience the value of PLM.
- *Expand our PLM sales in small to mid-size businesses (SMB)* - The SMB market has been identified as having high growth potential for PLM applications. Traditionally PLM has been sold to enterprise customers who have the resources required to implement these software systems. Expanding our business into the SMB market is key to achieving our revenue growth.
- *Stability of indirect channel* – Our go to market approach includes increasing use of small to mid size reseller and distributor partners, although our reseller and distributor base includes many well established partners.
- *Retention rates on maintenance* – Maintenance is comparatively a high margin revenue stream and is driven initially from new license sales. Our challenge is to maintain (through renewal) and grow (through new license sales). The business is managing through establishing dedicated maintenance heads to aid renewals and additionally globally set inflationary renewal percentage increases.
- *Maintaining services margin* – We micro manage and track projects and rates to ensure an overall high level of services margin, the majority of our deals are signed on a time & material basis which helps prevent but may not eliminate our exposure to cost over runs.
- *Siemens alignment post acquisition* – The acquisition event creates significant opportunity together with associated challenges; our initial focus has been to align our approach and to maintain our customer base to ensure stability before planning the move forward.
- *Employee Retention* – The success of our business is dependent on our ability to hire, retain and develop our staff. We focus this effort by establishing career plans and progression, training plans and quality recruitment.

**Intellectual Property**

The Group relies on a combination of contracts, copyrights, patents, trademarks and other common law rights such as trade secret and unfair competition laws to establish and protect the proprietary rights to our technology. Generally, the Group distributes its products under software licenses that grant customers licenses to, rather than ownership of, our applications and that contain various provisions protecting our ownership and confidentiality of our licensed technology. The Group continues to perform research and development work on behalf of the Group.

During the year, the Group spent £9.8 million on developing its intellectual property.

**Post balance sheet events**

On 4 May 2007, Siemens Product Lifecycle Management Software Inc (formerly UGS Capital Corp), the Company's parent company, was acquired by Siemens AG, a company incorporated in Germany.

**Dividends**

The directors do not recommend the payment of a dividend (2005: £nil).

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
**(formerly Unigraphics Solutions Holdings (UK) Limited)**

**Directors' report** *(continued)*

for the year ended 31 December 2006

**Employees**

It is Company policy to inform and consult employees on matters affecting their interests. During the year this was achieved by such methods as notice board announcements, internal communication, performance appraisals and training.

The Group is an equal opportunity employer. Applications from disabled persons are considered fairly.

**Political and charitable contributions**

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year (2005: £nil).

**Directors**

The directors who held office during the year and at the date of this report were as follows:

D Barnett (resigned 31 July 2007)  
J Hurley (resigned 6 February 2006)  
M Banham (appointed 14 September 2007)  
R Glazer (appointed 14 September 2007)  
P Bichara (appointed 14 September 2007)  
G Langley (appointed 14 September 2007)

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

**Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

KPMG LLP have notified the directors that they will not be seeking re-appointment in respect of the financial period commencing 1st October 2008. A shareholder resolution for the appointment of Ernst & Young LLP as auditor of the company in respect of the same is to be proposed.

By order of the Board



**Gerard Gent**  
*Secretary*

Date: 11/12/2008

Siemens Product Lifecycle Management Software IV (GB) Ltd  
Faraday House  
Sir William Siemens Square  
Frimley  
Surrey  
GU16 8QD

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



## KPMG LLP

Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom

### **Independent auditors' report to the members of Siemens Product Lifecycle Management Software IV (GB) Limited (formerly Unigraphics Solutions Holdings (UK) Limited)**

We have audited the Group and parent company financial statements (the "financial statements") of Siemens Product Lifecycle Management Software IV (GB) Limited (formerly Unigraphics Solutions Holdings (UK) Limited) for the year ended 31 December 2006 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group statement of total recognised gains and losses, and the Reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and the auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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



**Independent auditors' report to the members of Siemens Product Lifecycle Management Software IV (GB) Limited (formerly Unigraphics Solutions Holdings (UK) Limited) (continued)**

**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 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the group and the parent company's affairs as at 31 December 2006 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*KPMG LLP*

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

*R. D. D. 2008*

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
*(formerly Unigraphics Solutions Holdings (UK) Limited)*

**Consolidated profit and loss account**

*For the year ended 31 December 2006*

		<b>Year ended 31/12/06 £'000</b>	<b>As restated 17 month period ended 31/12/05 £'000</b>
	<b>Notes</b>		
<b>Turnover</b>	2	<b>43,282</b>	<b>63,834</b>
Cost of sales		<b>(24,434)</b>	<b>(31,236)</b>
<b>Gross profit</b>		<b>18,848</b>	<b>32,598</b>
Administrative expenses		<b>(101,832)</b>	<b>(48,001)</b>
Other operating income	3	<b>18,360</b>	<b>25,772</b>
<b>Operating (loss)/profit</b>	4	<b>(64,624)</b>	<b>10,369</b>
Interest receivable and similar income	5	<b>725</b>	<b>129</b>
Interest payable and similar charges	6	<b>(3,560)</b>	<b>(7,304)</b>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(67,459)</b>	<b>3,194</b>
Tax on (loss)/profit on ordinary activities	9	<b>(552)</b>	<b>(2,574)</b>
<b>(Loss)/profit for the year</b>	19	<b>(68,011)</b>	<b>620</b>

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

All activities relate to continuing operations.


**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
*(formerly Unigraphics Solutions Holdings (UK) Limited)*

**Consolidated balance sheet**

*As at 31 December 2006*

	Notes	2006		2005	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	10		43,483		113,878
Tangible assets	11		650		723
			<u>44,133</u>		<u>114,601</u>
<b>Current assets</b>					
Debtors	13	23,531		28,158	
Cash at bank and in hand		950		2,039	
		<u>24,481</u>		<u>30,197</u>	
Creditors: <i>amounts falling due within one year</i>	14	(19,934)		(19,574)	
<b>Net current assets</b>			4,547		10,623
<b>Total assets less current liabilities</b>			<u>48,680</u>		<u>125,224</u>
Creditors: <i>amounts falling due after more than one year</i>	15		(58,750)		(67,500)
<b>Provisions for liabilities</b>	16		(23)		(12)
<b>Net (liabilities)/assets</b>			<u>(10,093)</u>		<u>57,712</u>
<b>Capital and reserves</b>					
Called up share capital	18		56,900		56,900
Profit and loss account	19		(66,993)		812
<b>Shareholders' (deficit)/funds</b>			<u>(10,093)</u>		<u>57,712</u>

These financial statements were approved by the board of directors on 11<sup>th</sup> December 2008 and were signed on its behalf by:

  
**Mark Edward Banham**  
*Director*


**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
*(formerly Unigraphics Solutions Holdings (UK) Limited)*

**Company balance sheet**

*As at 31 December 2006*

		2006		2005	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	12		46,541		129,400
<b>Current assets</b>					
Cash at bank and in hand		-	-	-	-
Creditors: <i>amounts falling due within one year</i>	14	(3,171)		(5,256)	
<b>Net current liabilities</b>			(3,171)		(5,256)
<b>Total assets less current liabilities</b>			43,370		124,144
Creditors: <i>amounts falling due after more than one year</i>	15		(58,750)		(67,500)
<b>Net (liabilities)/assets</b>			(15,380)		56,644
<b>Capital and reserves</b>					
Called up share capital	18		56,900		56,900
Profit and loss account	19		(72,280)		(256)
<b>Shareholders' (deficit)/funds</b>			(15,380)		56,644

These financial statements were approved by the Board of directors on 11<sup>th</sup> December 2008 and were signed on its behalf by:

  
**Mark Edward Banham**  
*Director*

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
*(formerly Unigraphics Solutions Holdings (UK) Limited)*

**Consolidated statement of total recognised gains and losses**  
*for the year ended 31 December 2006*

	<b>Year ended 31/12/06</b>	<b>As restated 17 month period ended 31/12/05</b>
	<b>£'000</b>	<b>£'000</b>
<b>(Loss)/profit for the financial year</b>	<b>(68,011)</b>	<b>620</b>
<b>Total recognised gains and losses relating to the financial year</b>	<b>(68,011)</b>	<b>620</b>
Prior year adjustment (as explained in note 20)	(192)	
<b>Total gains and losses recognised since last annual report</b>	<b>(68,203)</b>	

**Reconciliation of Movements in Shareholders' Funds**  
*for the year ended 31 December 2006*

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>As restated 2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>(Loss)/profit for the financial year</b>	<b>(68,011)</b>	<b>620</b>	<b>(72,024)</b>	<b>(256)</b>
Credit in relation to share based payments	206	192	-	-
New share capital subscribed, net of issue costs	-	56,900	-	56,900
<b>Net (reduction) in/addition to shareholders' funds</b>	<b>(67,805)</b>	<b>57,712</b>	<b>(72,024)</b>	<b>56,644</b>
<b>Opening shareholders' funds</b>	<b>57,712</b>	<b>-</b>	<b>56,644</b>	<b>-</b>
<b>Closing shareholders' (deficit)/funds</b>	<b>(10,093)</b>	<b>57,712</b>	<b>(15,380)</b>	<b>56,644</b>

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
**(formerly Unigraphics Solutions Holdings (UK) Limited)**

**Notes to the financial statements**  
*(forming part of the financial statements)*

**1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

**Basis of preparation**

The financial statements are prepared under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board. In these financial statements, the Company has adopted FRS 20 'Share-based payments'; the impact of the adoption is shown in note 20.

The financial statements have been prepared on going concern basis for the following reasons. While the Company has net current liabilities of £3,171k the Board has received appropriate assurances from its intermediate parent undertaking, Siemens Product Lifecycle Management Software Inc, that it will not seek repayment of funds already loaned to the Company for a period of not less than 12 months from the date of these financial statements. Further, Siemens Product Lifecycle Management Software Inc has committed to provide additional funds if required.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2006. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under FRS 1 (revised): 'Cash Flow Statements' the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company was a wholly owned subsidiary of Siemens Product Lifecycle Management Software Inc during the period, the Company has taken advantage of the exemption contained in FRS 8: 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities which form part of the Group or investees of the Group qualifying as related parties. The consolidated financial statements of Siemens Product Lifecycle Management Software Inc., within which this Company is included, can be obtained from the address in note 24.

The Company is exempt under s230(4) from the requirement to present its own profit and loss account.

**Fixed assets and depreciation**

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land and buildings	-	4 %
Leasehold improvements	-	10 %
Machinery and equipment	-	33 %
Fixtures and fittings	-	15 %

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
**(formerly Unigraphics Solutions Holdings (UK) Limited)**

**Notes to the financial statements (continued)**

**1. Accounting policies (continued)**

**Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

**Post-retirement benefits**

During the year the Company operated a defined contribution pension scheme.

The assets of the defined contribution scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

**Research and development expenditure**

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

**Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

**Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of software and related services to customers. The sale of software, maintenance and other services are accounted for as separate components as they are considered to operate independently. As such,

- revenue on software licences sold in perpetuity is recognised on delivery of the licence key and upon ascertaining that no significant obligations pertaining to the sale of the software exist;
- revenue under maintenance contracts is recognised over the period of the contract on a straight line basis; and
- revenue for the provision of services is recognised as the service is performed.

Where a service contract is considered as a long term contract, the amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
**(formerly Unigraphics Solutions Holdings (UK) Limited)**

**Notes to the financial statements (continued)**

**1. Accounting policies (continued)**

**Goodwill and investments**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life. Any impairment charge is included within operating profits.

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

**Share based payments**

The share option programme allows employees to acquire shares of the parent company, Siemens Product Lifecycle Management Software Inc. The fair value of options granted after 7 November 2002 and those not yet vested as at 1 January 2006 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

**2. Segmental analysis**

<b>Group</b>	<b>Year ended</b>	<b>17 Months to</b>
<i>Turnover by destination</i>	<b>31/12/06</b>	<b>31/12/05</b>
	<b>£'000</b>	<b>£'000</b>
Segmental analysis by geographical market		
UK and Eire	<b>36,153</b>	<b>53,623</b>
Non UK distributor territories	<b>7,129</b>	<b>10,211</b>
	<b>43,282</b>	<b>63,834</b>

Non EU distributor territories are located in Turkey, South Africa, India, Israel, Saudi Arabia and Egypt.

All turnover originates in the United Kingdom. All net assets are located in the United Kingdom.

The directors consider that the Group operates one class of business, namely the supply of PLM and CAD/CAM software together with related services.



**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
*(formerly Unigraphics Solutions Holdings (UK) Limited)*

**Notes to the financial statements** *(continued)*

**3. Other operating income**

	Year ended 31/12/06 £'000	17 months ended 31/12/05 £'000
Receivable from group undertakings	<u>18,360</u>	<u>25,772</u>

**4. Operating profit**

	Year ended 31/12/06 £'000	As restated 17 months ended 31/12/05 £'000 (restated)
<i>Operating profit is stated after charging:</i>		
Depreciation of owned tangible fixed assets	316	537
Amortisation of goodwill	8,383	11,877
Impairment of goodwill (see note 10)	62,012	-
Operating lease rentals		
Plant and machinery	652	767
Other	1,195	2,202
Loss/(profit) on foreign exchange transactions	-	(100)
Research and development	<u>9,798</u>	<u>14,067</u>
 Auditors remuneration – audit of the financial statements pursuant to legislation	 <u>111</u>	 <u>142</u>

The audit fee in respect of the Company was £8k (2005: £13k).

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
*(formerly Unigraphics Solutions Holdings (UK) Limited)*

**Notes to the financial statements (continued)**

**5. Interest receivable and similar income**

	<b>Year ended 31/12/06 £'000</b>	<b>17 Months ended 31/12/05 £'000</b>
Receivable from group undertakings	679	-
Bank interest	46	129
	<u>725</u>	<u>129</u>

**6. Interest payable and similar charges**

	<b>Year ended 31/12/06 £'000</b>	<b>17 Months ended 31/12/05 £'000</b>
On amounts payable to group companies	3,159	7,301
Bank interest	-	3
Foreign exchange	401	-
	<u>3,560</u>	<u>7,304</u>

**7. Directors' emoluments**

	<b>Year ended 31/12/06 £'000</b>	<b>17 Months ended 31/12/05 £'000</b>
Directors' emoluments	59	321
Compensation for loss of office	95	-
Company contributions to pension schemes	3	45
	<u>157</u>	<u>366</u>

The aggregate of emoluments of the highest paid director was £157k (2005: £366k).

	<b>Number of directors 2006</b>	<b>2005</b>
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	<u>1</u>	<u>1</u>

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
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**Notes to the financial statements (continued)**

**8. Employees**

The average monthly number of employees (including directors) of the group during the period are analysed below:

<b>Group</b>	<b>Year ended 31/12/06</b>	<b>17 months ended 31/12/05</b>
Technical	103	110
Maintenance	3	2
Sales	47	48
Marketing	8	6
Research and Development	121	121
Administration	47	38
Professional services	-	6
	<b>329</b>	<b>331</b>

The employment cost of all employees included above is:

<b>Group</b>	<b>Year ended 31/12/2006 £'000</b>	<b>As restated 17 months ended 31/12/2005 £'000</b>
Wages and salaries	20,311	24,304
Social security costs	2,341	88
Equity settled share based payments (see note 20)	206	192
Pension costs	1,659	2,486
	<b>24,517</b>	<b>27,070</b>

The Company did not employ any staff during the current year (2005: nil).

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
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**Notes to the financial statements (continued)**

**9. Tax on (loss)/profit on ordinary activities**

*Analysis of charge in year*

	Year ended 31/12/2006 £'000	As restated 17 months ended 31/12/2005 £'000
UK corporation tax at 30% (2005: 30%)	816	2,887
Adjustments in respect of prior periods	(314)	-
Double taxation relief	(48)	(67)
UK corporation tax after double taxation relief	454	2,820
Overseas taxation	48	67
Total current tax	502	2,887
<i>Deferred Tax:</i>		
Origination and reversal of timing difference	50	(313)
	<b>552</b>	<b>2,574</b>

*Factors affecting the tax charge for the current period*

The current tax charge for the period is higher than the standard rate of corporation tax in the UK (30%, 2005: 30 %). The differences are explained below:

	Year ended 31/12/2006 £'000	As restated 17 months ended 31/12/2005 £'000
Profit on ordinary activities	(68,011)	3,386
Tax on profit from ordinary activities at standard rate	(20,403)	1,016

*Factors affecting charge:*

Expenses not deductible for tax purposes (primarily goodwill amortisation and impairment)	21,169	3,505
Accelerated capital allowances	15	(14)
Utilisation of brought forward losses	-	(1,579)
Losses carried forward not utilised	-	32
Adjustments in respect of prior years	(314)	-
Other timing differences	35	(73)
Current tax charge	<b>502</b>	<b>2,887</b>

*Factors that may affect future tax charges*

A deferred tax asset of £262k (2005: £313k) has been recognised (see note 17) on the basis that the group will generate sufficient taxable profits against which the asset will reverse. It was announced in the 2007 Budget that the corporation tax rate will be cut from 30% to 28% from April 2008.

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
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**Notes to the financial statements** *(continued)*

**10. Intangible fixed assets**

<b>Group</b>	<b>Goodwill £'000</b>
<b>Cost</b>	
At beginning and end of year	125,755
<b>Amortisation</b>	
At 1 January 2006	11,877
Charge for year	8,383
Impairment	62,012
At 31 December 2006	82,272
<b>Net book values</b>	
<b>At 31 December 2006</b>	<b>43,483</b>
At 31 December 2005	113,878

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is being amortised over a period of 15 years being the directors' assessment of the useful economic lives of key contractual relationships with customers.

In the year ended 31 December 2005, the Company acquired its investments in Siemens Product Lifecycle Management Software (GB) Ltd and Siemens Product Lifecycle Management Software III (GB) Ltd. As required by FRS 11 – Impairment, the directors have assessed the carrying value of goodwill by comparing the value in use of each cash generating unit (“CGU”) to the net realisable value of each CGU. The NRV has been determined by using earnings (EBITDA) multiples obtained from similar listed companies. Based on this review, goodwill has been impaired by £62,012k and is carried in these financial statements at its estimated net realisable value.

The impairment has been considered appropriate following a reduction in the value of the business as a result of an evaluation of the future trading performance of the business.

The Company has no intangible fixed assets (2005: £nil).

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
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**Notes to the financial statements** *(continued)*

**11. Tangible fixed assets**

<b>Group</b>	<b>Land &amp; Buildings £'000</b>	<b>Leasehold Improvements £'000</b>	<b>Machinery &amp; Equipment £'000</b>	<b>Furniture and Fixtures £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2006	17	528	530	181	1,256
Additions	-	29	209	6	244
Disposals	-	-	(332)	-	(332)
At 31 December 2006	<u>17</u>	<u>557</u>	<u>407</u>	<u>187</u>	<u>1,168</u>
<b>Depreciation</b>					
At 1 January 2006	1	163	303	66	533
On disposals	-	-	(331)	-	(331)
Charge for the year	<u>1</u>	<u>95</u>	<u>199</u>	<u>21</u>	<u>316</u>
At 31 December 2006	<u>2</u>	<u>258</u>	<u>171</u>	<u>87</u>	<u>518</u>
<b>Net book values</b>					
At 31 December 2006	<u><u>15</u></u>	<u><u>299</u></u>	<u><u>236</u></u>	<u><u>100</u></u>	<u><u>650</u></u>
At 31 December 2005	<u><u>16</u></u>	<u><u>365</u></u>	<u><u>227</u></u>	<u><u>115</u></u>	<u><u>723</u></u>

The Company has no tangible fixed assets (2005: £nil).

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
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**Notes to the financial statements (continued)**

**12. Investment in subsidiaries**

	<b>Total £'000</b>
<b>Company</b>	
<i>Cost</i>	
At beginning and end of year	129,400
<i>Provisions</i>	
At beginning of year	-
Impairment losses	82,859
At end of year	82,859
<i>Net book value</i>	
<b>At 31 December 2006</b>	<b>46,541</b>
At 31 December 2005	129,400

The Company holds 100% of the issued ordinary share capital of Siemens Product Lifecycle Management Software (GB) Limited and Siemens Product Lifecycle Management Software (III) Limited. These subsidiaries are incorporated in England and Wales and their principal activities are of the supply of computer software and related services.

The directors have assessed the carrying value of investments in subsidiaries by comparing the value in use to the net realisable value determined by using earning multiples obtained from similar listed companies. Based on this review, the investment has been impaired by £82,859k and is carried in these financial statements at its estimated net realisable value.

**13. Debtors**

	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Group</b>		
Amount owed by parent company	8,417	15,151
Trade debtors	10,739	9,995
Prepayments and accrued income	868	787
Corporation tax	3,245	1,912
Deferred tax (see note 17)	262	313
	<b>23,531</b>	<b>28,158</b>

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
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**Notes to the financial statements (continued)**

**14. Creditors: amounts falling due within one year**

<b>Group</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertaking	8,700	10,035
Trade creditors	816	683
Other taxes and social security costs	1,654	1,146
Accruals and deferred income	8,764	7,710
	<u>19,934</u>	<u>19,574</u>

Included in the Company's balance sheet is £3,171k (2005: £5,256k) due to a fellow group company.

**15. Creditors: amounts falling due over one year**

<b>Group and Company</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to parent company	<u>58,750</u>	<u>67,500</u>
<b>Analysis of loans</b>		
<b>Group and Company</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Not wholly repayable within five years	<u>58,750</u>	<u>67,500</u>
<b>Loan maturity analysis</b>		
<b>Group and Company</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
In more than five years	<u>58,750</u>	<u>67,500</u>

The date of repayment of the above loan is the earlier of:

- the first written demand, which may be made any time after five years, or;
- thirteen years from the date of the promissory note.

Interest was paid at the rate of 4.7% (2005: 7.5%) per annum.

A debenture dated 9 August 2004 was created by Siemens Product Lifecycle Management Software IV (GB) Ltd formerly known as Unigraphics Solutions Holdings (UK) Limited for securing all monies due or to become due from the Company to JP Morgan Chase Bank as administrative agent. This charge was repaid in full on 4th May 2007.



**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
*(formerly Unigraphics Solutions Holdings (UK) Limited)*

**Notes to the financial statements** *(continued)*

**15. Provisions for liabilities and charges**

<b>Group</b>	<b>£'000</b>
At 1 January 2005	12
Charge for the year	11
	<hr/>
At 31 December 2006	23
	<hr/>

An amount of £11.5k is being provided annually in connection with tenants repairing obligation under the leases of the group's premises, which end in 2012 and 2013 respectively.

**17. Deferred tax asset**

The deferred tax asset comprises

<b>Group</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
<i>Deferred tax asset is analysed as follows:</i>		
Accelerated capital allowances	160	175
Other timing differences	70	105
Tax losses	32	33
Total deferred tax asset	<hr/> 262 <hr/>	<hr/> 313 <hr/>

**18. Called up share capital**

	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Authorised:</b>		
100,000,000 ordinary shares of £1 each	<hr/> 100,000 <hr/>	<hr/> 100,000 <hr/>
<b>Allotted, called up and fully paid:</b>		
56,900,100 ordinary shares of £1 each	<hr/> 56,900 <hr/>	<hr/> 56,900 <hr/>

**19. Reserves**

	<b>Company £'000</b>	<b>Group £'000</b>
At 1 January 2006	(256)	812
Retained loss for year	(72,024)	(68,011)
Credit in relation to share based payments	-	206
At 31 December 2006	<hr/> (72,280) <hr/>	<hr/> (66,993) <hr/>

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
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**Notes to the financial statements (continued)**

**20. Employee share schemes**

**Share based payments - Equity settled share based payments**

Share options are granted by the Board of directors of UGS Capital Corp. II (the "Administrator") under the 2004 Management Incentive Plan (the "2004 Incentive Plan"), which provides for the granting of awards of stock options, other stock and performance awards, and the deferral of grants of cash in connection with other awards to eligible employees, officers, directors, and consultants of the Company.

Under the terms of the 2004 Incentive Plan, a maximum of 12,600,000 shares of Class A common stock and 20,000 shares of Class L common stock of UGS Capital Corp., and 7,500 shares of preferred stock of UGS Capital Corp. II may be granted as awards to the worldwide employee base; this includes certain employees of the Group.

Terms of stock options and other awards granted under the 2004 Incentive Plan, including vesting requirements, are determined by the Administrator. For options granted to employees of the Company, the option entitles the holder to subscribe to one share of UGS Capital Corp., against the payment of an exercise price which is determined at the date of grant. The options have a graded vesting over a five year period, with 20% exercisable after 12 months and the remaining options vesting rateably over the remaining term of the award.

All awards to the employees of the Group are equity settled.

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the period.

	<b>2006 Weighted average exercise price (\$)</b>	<b>2006 Number of options</b>	<b>2005 Weighted average exercise price (\$)</b>	<b>2005 Number of options</b>
Outstanding at the beginning of the period	<b>3.38</b>	<b>658,180</b>	1.00	275,880
Granted during the period	<b>5.08</b>	<b>68,000</b>	5.09	382,300
Exercised during the period	<b>1.00</b>	<b>(6,772)</b>	-	-
Outstanding at the end of the period	<b>3.53</b>	<b>719,408</b>	3.38	658,180
Exercisable at the end of the period	<b>3.53</b>	<b>255,124</b>	3.38	123,412

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
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**Notes to the financial statements (continued)**

**20. Employee share schemes (continued)**

Details of the assumptions used in Black Scholes model for options granted during the year are set out below:

	<b>2006</b>	<b>2005</b>
Fair value at measurement date	<b>£89,000</b>	£549,000
Weighted average share price (\$)	<b>5.08</b>	5.09
Exercise price (\$)	<b>4.90-7.80</b>	4.90-7.80
Expected volatility	<b>43.2% to 43.4%</b>	44.1% to 47.1%
Option life (expressed as weighted average life used in the modelling under Black Scholes Model)	<b>7.5 years</b>	7.5 years
Expected dividends	<b>nil</b>	nil
Risk free interest rate (based on national government bonds)	<b>4.62%</b>	4.1%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options of five comparable listed companies), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

The total expenses recognised for the period arising from share based payments are as follows:

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Equity settled share based payments	<b>206</b>	192

**Prior year adjustment**

In these financial statements, the Group has adopted FRS 20 Share based payments for the first time. Accordingly, the comparative figures for the year ended 31 December 2005 have been restated and a share based payment charge of £192k has been recognised. The Group has not restated the results for periods prior to 1 January 2005 as, in the opinion of the director's, the charge in these periods was not significant. As the Company does not directly employ staff, there is no charge in the Company.

**21. Pension costs**

The Group operates a defined contribution pension scheme. The total pension cost charge for the year represents contributions payable by the Company to the schemes and amounted to £1,658k (*Period ended 31 December 2005: £2,486k*). Outstanding contributions at end of the financial year were £191k (*2005: £177k*).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year in the Company (*2005: £nil*)

**Siemens Product Lifecycle Management Software IV (GB) Ltd**  
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**Notes to the financial statements (continued)**

**22. Commitments**

(a) Neither the Group or the Company had any capital commitments at the end of the financial year (2005: *Group and Company: £nil*)

(b) Annual commitments under non-cancellable operating leases are as follows:

Group	2006		2005	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
within one year	1	124	167	103
between 2-5 years	478	124	478	54
more than 5 years	795	-	683	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,274	248	1,328	157
	<hr/>	<hr/>	<hr/>	<hr/>

The Company had no annual commitments under non-cancellable operating leases (2005: *£nil*)

**23. Post balance sheet events**

On 4 May 2007, the Company's ultimate parent undertaking, Siemens Product Lifecycle Management Software Inc, was acquired by Siemens AG.

**24. Ultimate parent company**

The largest group in which the results of the Company for the year are consolidated is that headed by Siemens Product Lifecycle Management Software Inc, incorporated in the USA. The consolidated accounts of this company are available to the public and are available from Siemens Product Lifecycle Management Software Inc., 5800 Granite Parkway, Suite 600, Plano, TX 75024, USA.

Following the acquisition by Siemens AG, a company incorporated in Germany, the directors consider that this entity is the Company's ultimate parent undertaking.