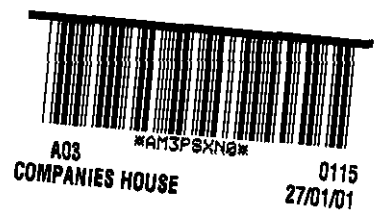


nCode International Limited
Annual report
for the year ended 31 March 2000
Registered no: 1589921



nCode International Limited

Annual report for the year ended 31 March 2000

	Pages
Directors and advisers	1
Directors' report	2 – 3
Report of the auditors	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Statement of historical cost profits and losses	6
Balance sheet	7
Notes to the financial statements	8 – 18

**Annual report
for the year ended 31 March 2000**

Directors

K Morton
C Wright
G Westmacott
B Dabell

Secretary and registered office

S Fleet
230 Woodbourn Road
Sheffield
S9 3OQ

Auditors

PricewaterhouseCoopers
1 East Parade
Sheffield
S1 2ET

Bankers

Lloyds Bank plc
City Office
PO Box 72, Bailey Drive
Gillingham Business Park
Kent
ME8 OLS

Solicitors

Taylor & Emmet
56 Wilkinson Street
Sheffield
S10 2GJ

**Directors' report
for the year ended 31 March 2000**

The directors present their report and the audited financial statements for the year ended 31 March 2000.

Principal activities

The principal activity of the company continues to be the development and sale of engineering related computer software packages. The core product is used by thousands of engineers world wide working in design and development teams in the ground vehicle, aerospace, offshore, power generation and defence industries.

Review of the business

In the year to 31 March 2000 the company continued to trade profitably. The period end position is satisfactory.

Dividends and transfers to reserves

The profit and loss account for the year is set out on page 5.

The directors do not recommend the payment of a dividend (1999: nil), in respect of the year ended 31 March 2000. The retained profit for the year of £694,000 (1999: £123,000) has been transferred to the company's reserves.

Year 2000

The company's operations were not affected by problems associated with the Year 2000 issue and the directors are not aware of any residual risks and uncertainties that remain. The costs involved in planning and preparing for the date change were insignificant in the context of the company's overall expenditure.

Directors and directors' interests

The directors of the company at 31 March 2000 are listed below:

K Morton
C Wright
G Westmacott
B Dabell

None of the directors at 31 March 2000 had any interest in the share capital of the company or any affiliated companies in the United Kingdom, at that date or at 1 April 1999.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Our auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board



S Fleet

Secretary

25 May 2000

Report of the auditors to the members of nCode International Limited

We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 the audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

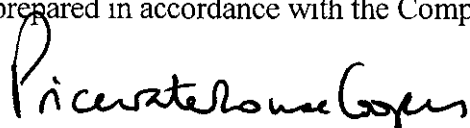
Basis of audit opinion

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 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered accountants and registered auditors
Sheffield

26 May 2000

**Profit and loss account
for the year ended 31 March 2000**

		31 March	15 months ended
		2000	31 March
	Notes	£'000	1999
			£'000
Turnover – continuing activities	2	4,244	3,652
Cost of sales		<u>(2,394)</u>	<u>(2,432)</u>
Gross profit		1,850	1,220
Operating expenses		(805)	(871)
Exceptional operating expenses	5	—	—(53)
Operating profit	3	1,045	296
Interest receivable and similar income		6	3
Interest payable and similar charges	7	<u>(30)</u>	<u>(59)</u>
Profit on ordinary activities before taxation		1,021	240
Taxation on profit on ordinary activities	8	<u>(327)</u>	<u>(117)</u>
Profit on ordinary activities after taxation		694	123
Dividend paid		—	—
Retained profit for the period	21	694	123

Statement of total recognised gains and losses for the year ended 31 March 2000

	31 March 2000 £'000	15 months ended 31 March 1999 £'000
Profit for the financial period	<u>694</u>	<u>123</u>
Total recognised gains and losses relating to the period	694	123
Prior year adjustment	<u>-</u>	<u>(361)</u>
Total gains and losses recognised since the last annual report	<u>694</u>	<u>(238)</u>

Statement of historical cost profits and losses for the year ended 31 March 2000

	31 March 2000 £'000	15 months ended 31 March 1999 £'000
Reported profit on ordinary activities before taxation	1,021	240
Difference between historical cost depreciation and the actual depreciation charge for the period calculated on the revalued amount.	<u>3</u>	<u>8</u>
Historical cost profit on ordinary activities before taxation	<u>1,024</u>	<u>248</u>
Historical cost profit retained for the period after taxation and dividends	<u>697</u>	<u>131</u>

**Balance sheet
at 31 March 2000**

		31 March 2000 £'000	31 March 1999 £'000
	Notes		
Fixed assets			
Tangible assets	10	607	617
Investments	11	<u>-</u>	<u>1</u>
		607	618
Current assets			
Stocks and work in progress	12	24	119
Debtors	13	3,825	1,608
Cash at bank and in hand		<u>216</u>	<u>-</u>
		4,065	1,727
Creditors: amounts falling due within one year	14	<u>(2,678)</u>	<u>(1,041)</u>
Net current assets		1,387	686
Total assets less current liabilities		1,994	1,304
Creditors: amounts falling due after more than one year	15	(295)	(279)
Provisions for liabilities and charges	17	<u>-</u>	<u>(20)</u>
		1,699	1,005
Capital and reserves			
Called-up share capital	19	48	48
Share premium account		16	16
Revaluation reserve	20	125	125
Capital redemption reserve		21	21
Profit and loss account	21	<u>1,489</u>	<u>795</u>
Equity shareholders funds'	22	<u>1,699</u>	<u>1,005</u>

The financial statements on pages 5 to 18 were approved by the board of directors on 25 May 2000 were signed on its behalf by:



**K Morton
Director**

**Notes to the financial statements
for the year ended 31 March 2000****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 financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of land and buildings.

Adoption of new accounting standards

Financial Reporting Standard No 15 'Tangible Fixed Assets' has been adopted in this year's financial statements. See note 10.

Consolidation

Consolidated financial statements have not been prepared as the company is entitled to exemption under Section 248 of the Companies Act 1985.

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No 1. As the company is a wholly owned subsidiary of AEA Technology Plc, the cash flows of the company are included in the consolidated group cash flow statement of AEA Technology Plc.

Depreciation and amortisation

Depreciation is calculated so as to write off the cost of fixed assets over their expected useful lives at the following annual rates:

Long leasehold land	Nil
Long leasehold property	30 years
Fixtures	10% straight line
Computer	33% straight line
Vehicles	25% straight line
Plant and Machinery	10% straight line

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value and include manuals and brochures which have been included at cost. For work in progress, cost includes materials and labour costs attributed to individual contracts plus an appropriation of attributable overheads.

1 Principal accounting policies (continued)**Long Term contracts**

The amount of profit attributable to the state 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 cost appropriate to their stage of completion plus attributable profits less amounts recognised in previous years. Provision is made for any losses which 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.

Government grants

Government grants in respect of expenditure on fixed assets are credited to a separate account, amounts being released to the profit and loss account over the life of the asset. Grants of a revenue nature are credited to income in the same period as the expenditure to which they relate.

Foreign currencies

All assets denominated in foreign currency are translated at the rates of exchange ruling at the year end. All other exchange differences, being those arising from currency conversions in the normal course of trading are dealt with through the profit and loss account.

Deferred taxation

Provision is made, using the liability method, for deferred taxation arising in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

At 31 March 2000 there was no liability to deferred tax (1999: nil).

Pensions

Contributions to the company's defined contribution pension scheme are charged against profit in the year in which payments are due. See note 9.

1 Principal accounting policies (continued)

Leasing

Operating lease rentals are charged to the profit and loss account as incurred. Assets held under hire purchase and finance lease arrangements are capitalised and the associated liability is included in creditors. Finance charges are allocated to the profit and loss account over the period of the agreement.

Research and development expenditure

Research costs and software development costs are charged to the profit and loss account as incurred.

Turnover

Turnover represents the amount receivable for goods sold and services provided net of value added tax. Annual service and maintenance contracts and annual software licence sales are recognised in the period in which they are sold.

2 Turnover – by geographical destination

The directors regard the company's business activities as being of one class. Turnover can be geographically analysed as follows:

	31 March 2000 £'000	15 months ended 31 March 1999 £'000
United Kingdom	1,369	1,232
North America	1,579	795
Europe	665	1,237
Far East and other	<u>631</u>	<u>388</u>
	<u>4,244</u>	<u>3,652</u>

3 Operating profit

	31 March 2000 £'000	15 months ended 31 March 1999 £'000
Operating profit is stated after charging;		
Directors' emoluments	99	232
Depreciation of tangible fixed assets:		
- owned	80	143
- hire purchase	37	73
Foreign exchange loss	9	4
Auditors' remuneration:		
- audit	10	9
- other	1	1
Hire charges: plant and machinery	2	3
Hire purchase interest	14	19
Profit on disposal of fixed assets	<u>6</u>	<u>4</u>

4 Directors' emoluments

	31 March 2000 £'000	15 months ended 31 March 1999 £'000
Aggregate emoluments	<u>99</u>	<u>232</u>

Retirement benefits are accruing to directors under a money purchase pension scheme.

5 Exceptional operating expenses

The exceptional item of £53,000 in the 15 months ended 31 March 1999 related to additional depreciation charges incurred. This arose as rates of depreciation were brought in to line with group accounting policies.

6 Employee information

The average weekly number of persons (including executive directors) employed by the group was:

	31 March 2000 Number	15 months ended 31 March 1999 Number
Management and administration	33	28
Technical and manufacturing	<u>26</u>	<u>30</u>
	<u>59</u>	<u>58</u>
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	1,801	1,875
Social Security costs	169	187
Other pension costs	<u>46</u>	<u>46</u>
	<u>2,016</u>	<u>2,108</u>

7 Interest payable

	31 March 2000 £'000	15 months ended 31 March 1999 £'000
Group	13	18
Bank	3	22
Finance leases	<u>14</u>	<u>19</u>
	30	59
	==	==

8 Taxation

	31 March 2000 £'000	15 months ended 31 March 1999 £'000
UK corporation tax at 30% (1999: 31%) based on the results of the period:		
Current	344	109
Adjustment in respect of earlier years:		
Current	<u>(17)</u>	<u>8</u>
	327	117
	==	==

9 Pensions

The company operates defined contribution pension schemes in respect of employees and directors. The assets of the schemes are held separately from those of the company in independent administered funds. The pension cost represents contributions payable by the company to the fund and amounted to £45,565 (1999: £46,389). Contributions payable to the funds at the end of the period amounted to £3,728 (1999: £3,279).

10 Tangible fixed assets
Change of accounting policy

The company has adopted FRS15 "Tangible Fixed Assets" and has followed the transitional provisions to retain the book value of long leasehold premises, which were revalued in 1998.

	Long Leasehold Premises £'000	Computers & equipment £'000	Fixtures & vehicles £'000	Total £'000
Cost or valuation				
At 1 April 1999	420	338	212	970
Additions at cost	-	87	27	114
Disposals	-	(2)	(57)	(59)
At 31 March 2000	420	423	182	1,025
Depreciation				
At 1 April 1999	27	222	104	353
Disposals	-	(2)	(50)	(52)
Charge for the period	11	66	40	117
At 31 March 2000	38	286	94	418
Net book value at 31 March 2000	<u>382</u>	<u>137</u>	<u>88</u>	<u>607</u>
Net book value at 31 March 1999	<u>393</u>	<u>116</u>	<u>108</u>	<u>617</u>

The net book value of tangible fixed assets includes an amount of £146,000 (1999: £133,000) in respect of assets held under finance leases.

The company's premises were valued by external valuers in 1998 on an open market basis with vacant possession, at a valuation of £420,000.

If long leasehold premises had not been revalued they would have been included at the following amounts:

	31 March 2000 £'000	31 March 1999 £'000
Historical cost	276	295
Depreciation based on cost	<u>(8)</u>	<u>(19)</u>
	268	276
	=====	=====
Leasehold land	53	53
Leasehold buildings	<u>215</u>	<u>223</u>
	268	276
	=====	=====

11 Fixed asset investments

	31 March 2000 £'000	31 March 1999 £'000
Shares in subsidiary company at cost	1	1
Transfer to fellow group company	<u>(1)</u>	<u>-</u>
	-	1
	<u> </u>	<u> </u>

On 1 April 1999 ownership of nCode International Inc was transferred to the ultimate parent, AEA Technology Plc, at book value.

12 Stocks

	31 March 2000 £'000	31 March 1999 £'000
Raw materials and consumables	16	25
Work in progress	<u>8</u>	<u>94</u>
	24	119
	<u> </u>	<u> </u>

13 Debtors

	31 March 2000 £'000	31 March 1999 £'000
Amounts falling due within one year		
Trade debtors	1,000	761
Amounts recoverable on contracts	136	-
Amounts owed by group undertakings	2,223	786
Other debtors	<u>466</u>	<u>61</u>
	3,825	1,608
	<u> </u>	<u> </u>

14 Creditors: amounts falling due within one year

	31 March 2000 £'000	31 March 1999 £'000
Bank loans	7	261
Hire purchase liabilities	57	59
Trade creditors	263	317
Amounts owed to group undertakings	1,986	162
Corporation tax	278	125
Other taxation and social security	<u>87</u>	<u>117</u>
	2,678	1,041
	<u> </u>	<u> </u>

15 Creditors: amounts falling due after more than one year

	31 March 2000 £'000	31 March 1999 £'000
Bank loans	33	40
Hire purchase liabilities	62	39
Amounts owed to subsidiary undertakings	<u>200</u>	<u>200</u>
	<u>295</u>	<u>279</u>

The bank borrowings are secured on the company's assets.

Borrowings due are repayable by instalments as follows:

	31 March 2000 £'000	31 March 1999 £'000
With one year	7	261
One to two years	27	7
Two to five years	<u>6</u>	<u>33</u>
	<u>40</u>	<u>301</u>

One of the bank loans is repayable in annual instalments of £6,750, bears interest at 9.75% and is due for repayment June 2002.

The second loan is repayable in one instalment of £20,000, bears interest at 8.57% and is due for repayment December 2001.

The net hire purchase obligations which the company is committed are:

	2000 £'000	1999 £'000
Within one year	57	59
One to two years	24	35
Two to five years	<u>38</u>	<u>4</u>
	<u>119</u>	<u>98</u>

16 Capital commitments

Capital expenditure authorised by the directors but not provided in the accounts amounts to:

	31 March 2000 £'000	31 March 1999 £'000
Contracted for	<u>—</u>	<u>75</u>

17 Provisions for liabilities and charges

	31 March 2000 £'000	31 March 1999 £'000
Government grants	<u>—</u>	<u>20</u>

18 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the period to 31 March 2001:

	31 March 2001		31 March 2000	
	Land and buildings £'000	Plant and other £'000	Land and Buildings £'000	Plant and Other £'000
Expiring:				
Within one year	4	7	7	—
Within two to five years	<u>3</u>	<u>81</u>	<u>—</u>	<u>3</u>
	7	88	7	3
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

19 Called up share capital

	31 March 2000 £'000	31 March 1999 £'000
Authorised		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, issued and full paid		
Ordinary shares of £1 each	<u>48</u>	<u>48</u>

20 Revaluation reserve

	31 March 2000 £'000	31 March 1999 £'000
Balance at 31 March 1999 and 31 March 2000	<u>125</u>	<u>125</u>

21 Profit and loss account

	£'000
At 1 April 1999	795
Profit for the period	<u>694</u>
At 31 March 2000	<u>1,489</u>

22 Reconciliation of movement in shareholders' funds

	31 March 2000 £'000	31 March 1999 £'000
Opening equity shareholders' funds	1,005	1,243
Prior year adjustment	<u>-</u>	<u>(361)</u>
Opening shareholders' funds	1,005	882
Profit for the financial period	<u>694</u>	<u>123</u>
Closing equity shareholders' funds	<u>1,699</u>	<u>1,005</u>

23 Related party transactions

The company has taken advantage of the exemption under FRS 8 Related Party Transactions not to disclose related party transactions between fellow group companies. The transactions not explicitly disclosed are transactions between entities under common control which are included in the published consolidated accounts of AEA Technology Plc.

24 Ultimate parent company

The directors regard AEA Technology Plc, a company registered in England and Wales as the ultimate parent company.

A copy of the ultimate parent company's financial statements can be obtained from:

AEA Technology Plc
Harwell
Didcot
Oxfordshire OX11 0RA