

Registered Number 1589921

nCode International Limited
Annual Report
for the year ended 31 March 2002



nCode International Limited
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for the year ended 31 March 2002
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nCode International Limited

Directors and advisors for the year ended 31 March 2002

Directors

K Morton

B Dabell

Secretary

S Fleet

230 Woodburn Road

Sheffield

S9 3LQ

Auditors

PricewaterhouseCoopers

1 East Parade

Sheffield

S1 2ET

Bankers

Lloyds Bank plc

City Office

PO Box 72

Bailey Drive

Gillingham Business Park

Kent

ME8 0LS

Solicitors

Taylor & Emmet

56 Wilkinson Street

Sheffield

S10 2GJ

nCode International Limited

Directors' report for the year ended 31 March 2002

The directors present their report and the audited financial statements of the company for the year ended 31 March 2002.

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 business and future developments

The directors are satisfied with the result for the year, which reflects the continuing developments of the business. The directors anticipate the current level of profitability to be maintained for the forthcoming year.

Results for the year and dividends

The profit and loss account for the year is set out on page 5. The directors do not recommend payment of a dividend (2001: nil).

Research and development

The company continues with an active programme of investment and development of its products.

Directors and their interests

The directors of the company at 31 March 2002 are listed below:

K Morton
B Dabell

None of the directors at 31 March 2002 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 2001.

Auditors

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

By order of the Board



S Fleet
Secretary
27 June 2002

nCode International Limited

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 financial statements on the going concern basis, unless it is inappropriate to presume the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained in the 'Statement of accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002, 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.

By order of the Board



S Fleet

Secretary

27 June 2002

nCode International Limited

Independent auditors' report to the members of nCode International Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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.

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.

We read the other information contained 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. The other information comprises only the directors' report.

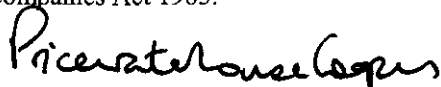
Basis of audit opinion

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 2002 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

28 June 2002

nCode International Limited

Profit and loss account for the year ended 31 March 2002

	Note	2002 £'000	2001 as restated £'000
Turnover	1	5,074	4,608
Cost of sales		(1,454)	(1,318)
Gross profit		3,620	3,290
Administrative expenses		(2,946)	(2,510)
Operating profit	2	674	780
Interest receivable and similar income	5	197	75
Interest payable and similar charges	6	(22)	(28)
Profit on ordinary activities before taxation		849	827
Tax on profit on ordinary activities	7	37	(242)
Retained profit for the financial year	21	886	585

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents. All amounts relate to continuing operations.

nCode International Limited

Statement of total recognised gains and losses for the year ended 31 March 2002

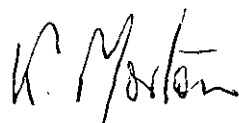
	2002	2001
		as restated
	£'000	£'000
Profit for the financial year	886	585
Total recognised gains relating to the year	886	585
Prior year adjustment (as explained in note 8)	(892)	
Total recognised losses since last annual report	(6)	

nCode International Limited

Balance sheet as at 31 March 2002

	Note	2002 £'000	2001 as restated £'000
Fixed assets			
Tangible assets	10	545	624
		545	624
Current assets			
Stock and work in progress	11	63	25
Debtors due within one year	12	3,085	2,821
Debtors due after more than one year	12	2,863	2,863
Cash at bank and in hand		2,743	466
		8,754	6,175
Creditors: amounts falling due within one year	13	(6,348)	(4,694)
Net current assets		2,406	1,481
Total assets less current liabilities		2,951	2,105
Creditors: amounts falling due after more than one year	14	(233)	(273)
Net assets		2,718	1,832
Capital and reserves			
Called up share capital	19	48	48
Share premium account	20	16	16
Revaluation reserve	20	125	125
Capital redemption	20	21	21
Profit and loss account	20	2,508	1,622
Equity shareholders' funds	21	2,718	1,832

The financial statements on pages 5 to 20 were approved by the board of directors on 27 June 2002 and were signed on its behalf by:



K Morton
Director

nCode International Limited

Statement of accounting policies

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.

Changes in accounting policies

In December 2000, the Accounting Standards Board issued FRS19, 'Deferred Tax'. This accounting standard becomes effective for all financial periods ending on or after 23 January 2002. Comparative figures have not been restated as the standard has no material impact on the recognition of the company's potential deferred tax assets.

Following the implementation of FRS18 'Accounting policies', all of the company's accounting policies have been reviewed for appropriateness. As a result of this review, the company's policies on the recognition of income on renewable licenses and maintenance contracts and on income from guaranteed sales have been reviewed (see note 8). This change in accounting policy decreased turnover and operating profit to March 2001 by £638,000 (and to March 2000 by £654,000). The tax impact of this change in accounting policy was an overstatement of the prior year tax charge by £198,000 (and to March 2000 by £202,000). The net impact on retained profit in prior years has therefore been an overstatement of £892,000.

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.

Turnover

Turnover represents the amount receivable for goods sold and services provided net of value added tax. Revenue from annual service and maintenance contracts and annual software license sales are recognised over the period of the contract (see note 8)

nCode International Limited

Depreciation and amortisation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition, or valuation. Depreciation is calculated so as to write off the cost of tangible fixed assets in a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Short leasehold land	Nil
Buildings	3%
Fixtures	10%
Computers	33%
Vehicles	25%
Plant and Machinery	10%

Leasehold land is not depreciated because the required depreciation would not be material.

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.

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

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 which have arisen but not reversed at the balance sheet date. As required by Financial Reporting Standard 19: 'Deferred Tax' no timing differences are recognised in respect of:

- fixed assets which are re-valued without there being any commitment to sell the asset
- gains on sale of assets which are rolled over into replacement assets; and
- remittance of subsidiary or joint venture earnings which would cause tax to be payable, but where no commitment has been made to the remittance of the earnings.

The deferred taxation balance has been measured at the tax rate expected to apply when the timing differences reverse.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Pensions

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

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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.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard No 1 (revised) as the company is a wholly owned subsidiary of AEA Technology Plc, and that company includes the cashflows of nCode International Limited in its own published consolidated financial statements.

Related party transactions

As the company is a wholly owned subsidiary of AEA Technology plc, a company incorporated in England, it has not disclosed details of transactions with other AEA Technology group companies by virtue of the exemption continued in paragraph 3 of Financial Reporting Standard Number 8.

nCode International Limited

Notes to the financial statements for the year ended 31 March 2002

1 Turnover – by geographical destination

The geographical analysis of turnover by destination:

	2002	2001
		as restated
	£'000	£'000
United Kingdom	1,711	2,056
North America	1,328	1,016
Europe	724	724
Far East and other	1,311	812
	5,074	4,608
Standard nCode software sales included above	3,922	3,202

2 Operating profit

	2002	2001
	£'000	£'000
Operating profit is stated after charging		
Depreciation of tangible fixed asset		
- owned	59	61
- leased	24	33
Foreign exchange gain	14	50
Auditors remuneration		
- audit	10	11
- others	1	1
Rentals under operating leases		
- plant and machinery	41	9
Profit on disposal of fixed assets	7	3

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3 Directors' emoluments

	2002	2001
	£'000	£'000
Directors remuneration	149	141
Company contributions to money purchase pension scheme	9	13
	158	154

Benefits were accruing to one director (2001: 1) under a money purchase pension scheme.

The emoluments of Mr Dabell are paid by a fellow group company. His emoluments are recharged to the company as part of a management charge although it is not possible to separately identify the amount relating to his emoluments included in that charge.

4 Employee information

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

By activity	Number	Number
	2002	2001
Management and administration	40	35
Technical and manufacturing	28	35
	68	70

Costs relating to these staff including the cost of directors are as follows:

Staff costs	2002	2001
	£'000	£'000
Wages and salaries	2,180	2,300
Social Security costs	225	261
Other pension costs (see note 9)	87	64
	2,492	2,625

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5 Interest receivable and similar income

	2002	2001
	£'000	£'000
Bank interest received	35	39
Amounts receivable from group undertakings	162	36
	197	75

6 Interest payable and similar charges

	2002	2001
	£'000	£'000
Bank interest payable	1	3
Finance leases	9	11
Amounts receivable from group undertakings	11	14
Other interest	1	-
	22	28

7 Tax on profit on ordinary activities

	2002	2001
		as restated
	£'000	£'000
Taxation on the profit for the year		
UK corporation tax at 30% (2001: 30%) based on the results of the year:		
Current	303	242
Overseas taxation	33	-
Adjustment in respect of earlier years:		
Current	(373)	-
	(37)	242

nCode International Limited

The tax assessed for the year is lower than at the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001 as restated
	£'000	£'000
Profit on ordinary activities before taxation	849	827
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	255	248
Effects of:		
Excess foreign taxes suffered	33	-
Permanent timing differences	55	1
Deferred tax not recognised	(7)	(7)
Prior year over provision – group relief for which no payment made	(373)	-
Current tax (credit)/charge for the year	(37)	242

8 Prior year adjustment

Comparative figures have been restated as a result of a change in accounting policy with regard to revenue recognition.

- (i) Sales of annual renewable licenses and maintenance contracts are recognised over the period of the contract. Previously revenue in respect of these sales was recognised in the period in which they were sold.
- (ii) Accrued income from 'guaranteed' sales, by nCode's trading partners and agents, is now recognised when they recognise the sale to their client, usually when invoiced. Previously revenue in respect of these sales was recognised in the period the guarantee was given.

The directors consider these changes in policies give a more appropriate presentation of the company's results.

As a result, comparative figures for the years ended 31 March 2000 and 31 March 2001 have been adjusted as follows:

	Profit for the year to 31 March 2000 £'000	Profit for the year to 31 March 2001 £'000	Net assets £'000
A previously reported	694	1,025	2,724
Effect of the change in income recognition policy	(452)	(440)	(892)
As restated	242	585	1,832

nCode International Limited

Had the policy not been implemented, turnover and operating profit for the year ended 31 March 2002 would be reduced by £157,000.

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 £87,848 (2001: £64,197). Contributions owed to the funds at the end of the period amounted to £6,583 (2001: £4,084).

10 Tangible assets

	Short leasehold land & buildings	Computers & equipment	Fixtures & vehicles	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2001	420	452	229	1,101
Additions at cost	-	22	-	22
Disposals	-	(17)	(36)	(53)
At 31 March 2002	420	457	193	1,070
Accumulated depreciation				
At 1 April 2001	50	328	99	477
Disposals	-	(5)	(30)	(35)
Charge for the year	11	31	41	83
At 31 March 2002	61	354	110	525
Net book amount				
At 31 March 2002	359	103	83	545
At 31 March 2001	370	124	130	624

Included in short leasehold land and buildings is £75,000 (2001: £75,000) of non-depreciated leasehold land.

The net book value of tangible fixed assets includes an amount of £87,000 (2001: £148,000) in respect of assets held under hire purchase agreements.

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

nCode International Limited

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

	2002 £'000	2001 £'000
Historical cost	295	295
Depreciation based on cost	(42)	(32)
	253	263
Leasehold land	53	53
Leasehold buildings	200	210
	253	263

11 Stocks

	2002 £'000	2001 £'000
Raw materials and consumables	19	22
Work in progress	44	3
	63	25

12 Debtors

	2002 £'000	2001 as restated £'000
Amounts falling due within one year:		
Trade debtors	1,141	1,777
Amounts recoverable on contracts	456	162
Amounts owed by group undertakings	758	587
Loans to other group companies	401	-
Other debtors	329	295
	3,085	2,821

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	2002	2001
	£'000	£'000
Amounts falling due within more than one year:		
Amounts owed by group undertakings	2,863	2,863

13 Creditors – Amounts falling due within one year

	2002	2001
	£'000	as restated £'000
Trade creditors	109	158
Payments on account	86	-
Bank loans	7	27
Hire purchase liabilities (note 14)	33	43
Amounts owed to group undertakings	4,940	3,312
Corporation tax	122	181
Other taxation and social security	184	110
Accruals and deferred income	867	863
	6,348	4,694

14 Creditors – Amounts falling due after more than one year

	2002	2001
	£'000	£'000
Bank loans	-	7
Hire purchase liabilities	33	66
Amounts owed to subsidiary undertakings	200	200
	233	273

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

nCode International Limited

Borrowings due are repayable by instalments as follows:

	2002	2001
	£'000	£'000
Within one year	7	27
One to two years	-	7
	7	34

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

	2002	2001
	£'000	£'000
Within one year	33	43
One to two years	29	33
Two to five years	4	33
	66	109

15 Deferred tax

	2002	2001
	£'000	£'000
Unprovided deferred tax is as follows:		
Accelerated capital allowances	(25)	(24)

The adoption of FRS19 has resulted in no restatement of comparative figures, as the standard has no material impact on the recognition of the company's potential deferred tax assets.

There are no short term timing differences.

16 Capital commitments

There was no capital expenditure authorised by the directors but not provided in the accounts (2001: £nil).

17 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 March 2003:

nCode International Limited

	2002	2001
	£'000	£'000
Land and buildings		
On leases expiring within one year	7	-
On leases expiring between two and five years	6	23
Other		
On leases expiring within one year	25	8
On leases expiring between two and five years	53	123
	91	154

18 Contingent liability

The company has entered a group VAT registration with AEA Technology plc, which involves joint and several liability along with twenty four other subsidiaries. At 31 March 2002 the amount outstanding was £3.3 million (2001: £7.9 million).

There is a cross guarantee in place in respect of overdrafts included within the Lloyds Bank plc offset arrangement, of which nCode International Limited, AEA Technology plc and seven subsidiaries are a part. At 31 March 2002 the gross overdraft guaranteed within this set off arrangement was £27.4 million (2001: £20.5 million).

The directors do not expect any loss to arise in connection with the above

19 Called up share capital

	2002	2001
	£'000	£'000
Authorised		
100,000 ordinary shares of £1 each	100	100
Allotted and fully paid		
48,000 ordinary shares of £1 each	48	48

nCode International Limited

20 Reserves

	Share Premium	Capital Redemption	Revaluation Reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2001 as previously stated	16	21	125	2,062	2,224
Prior year adjustment (note 8)	-	-	-	(440)	(440)
At 1 April 2001 as restated	16	21	125	1,622	1,784
Profit for the period	-	-	-	886	886
At 31 March 2002	16	21	125	2,508	2,670

21 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Opening shareholders' funds as previously reported	2,272	1,699
Prior year adjustment (see note 8)	(440)	(452)
Opening equity shareholders' funds as restated	1,832	1,247
Profit for the financial year	886	1,025
Closing shareholders' funds	2,718	2,272

22 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.

23 Ultimate parent company

The directors consider AEA Technology Plc, the ultimate parent company, ultimate controlling party and largest group of undertakings to include the company in its own published consolidate financial statements. AEA Technology plc is a company registered in England and Wales with a 100% shareholding in the equity capital of the company.

A copy of the ultimate parent company's consolidated financial statements, within which this company is included, can be obtained from: AEA Technology Plc, Harwell, Didcot, Oxfordshire OX11 0RA.