

Registered Number 1589921

nCode International Limited
Annual Report
for the year ended 31 March 2003



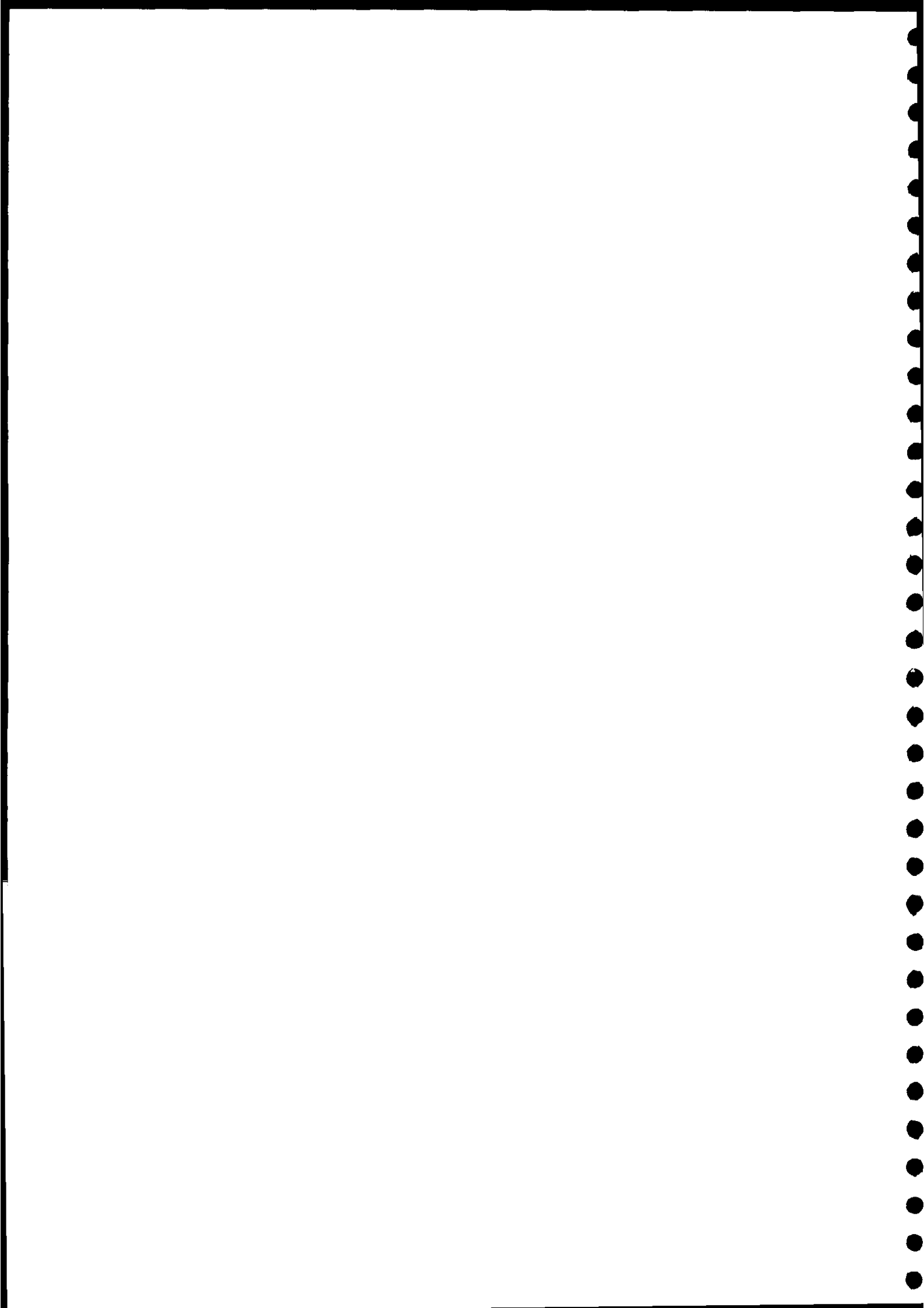
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nCode International Limited
Annual Report
for the year ended 31 March 2003
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nCode International Limited

Directors and advisors for the year ended 31 March 2003

Directors

K Morton

B Dabell

Secretary

S Fleet

230 Woodburn Road

Sheffield

S9 3LQ

Auditors

PricewaterhouseCoopers LLP

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 2003

The directors present their report and the audited financial statements of the company for the year ended 31 March 2003.

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. The company also operates a branch in Sweden.

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 (2002: 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 2003 are listed below:

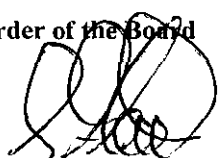
K Morton
B Dabell

None of the directors at 31 March 2003 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 2002.

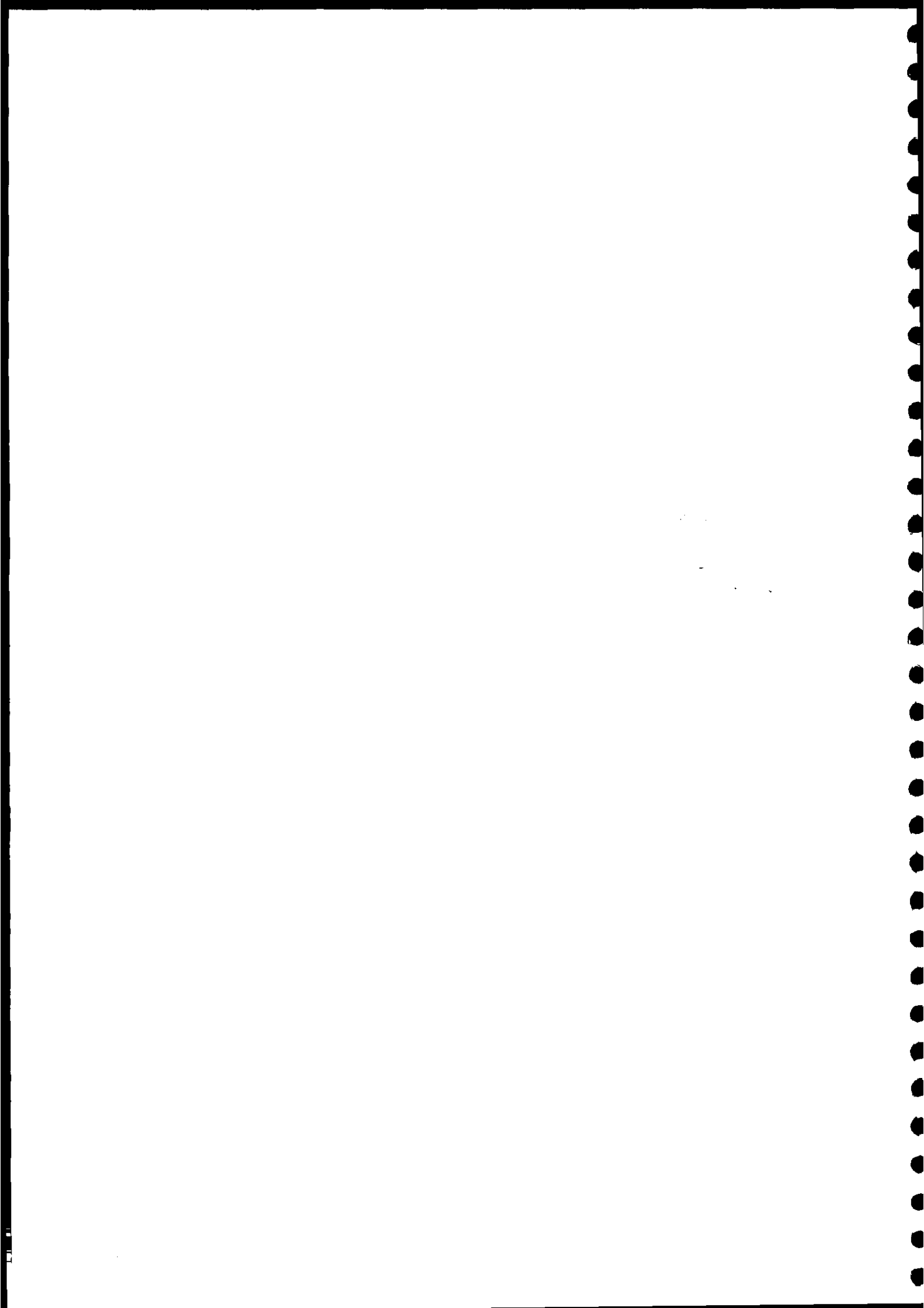
Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 21 May 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



S Fleet
Secretary
10th July 2003



nCode International Limited

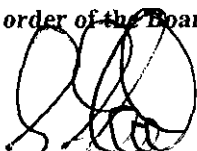
Statement of directors' responsibilities

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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2003, and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

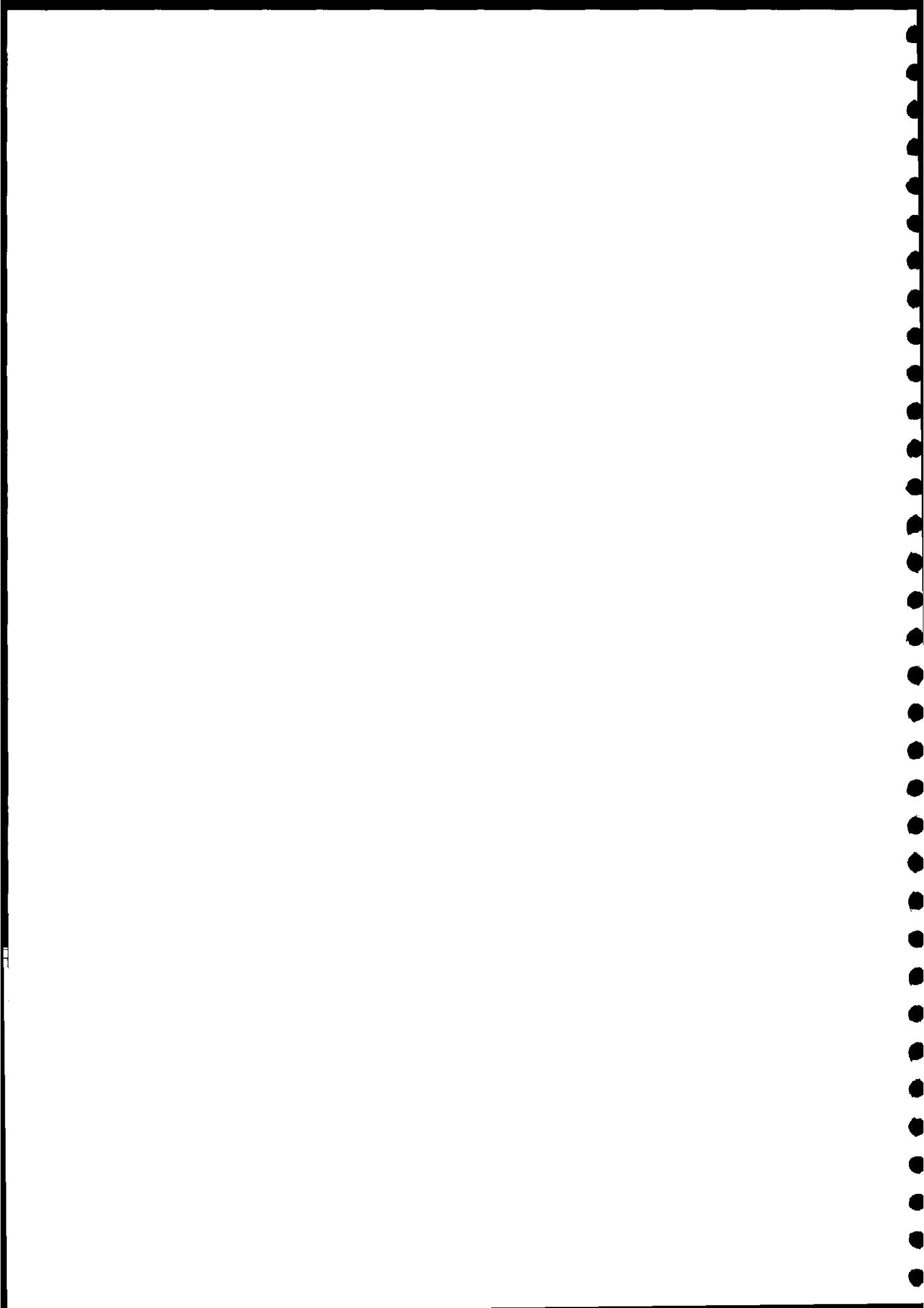
By order of the Board



S Fleet

Secretary

10TH JULY 2003



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, and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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.

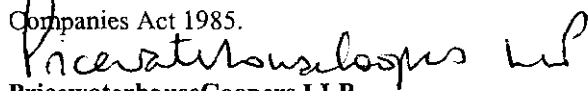
Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Sheffield

11 July 2003

nCode International Limited

Profit and loss account for the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Turnover	1	5,392	5,074
Cost of sales		(1,832)	(1,454)
Gross profit		3,560	3,620
Administrative expenses		(2,783)	(2,946)
Operating profit	2	777	674
Interest receivable and similar income	5	160	197
Interest payable and similar charges	6	(15)	(22)
Profit on ordinary activities before taxation		922	849
Tax on profit on ordinary activities	7	1	37
Retained profit for the financial year	21	923	886

All the activities above relate to continuing operations.

The company has no recognised gains and losses for the period other than as described in the above profit and loss account, therefore no separate statement of total recognised gains and losses has been presented.

There is no material 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.

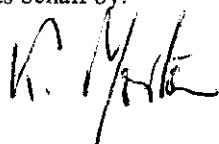
nCode International Limited

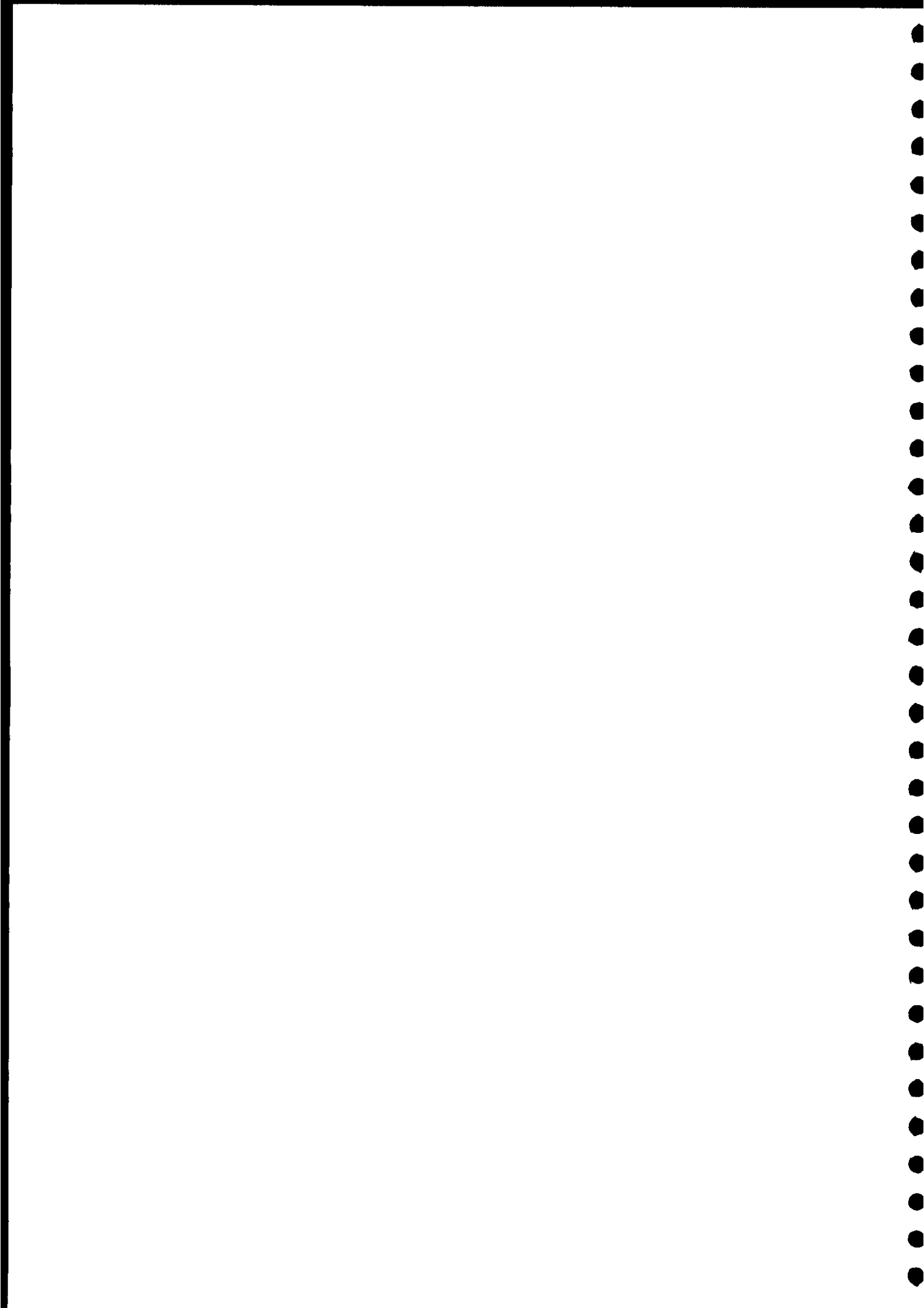
Balance sheet as at 31 March 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Intangible assets - Goodwill	9	36	-
Tangible assets	10	516	545
Investments	11	16	-
		568	545
Current assets			
Stock and work in progress	12	56	63
Debtors due within one year	13	3,725	3,085
Debtors due after more than one year	13	-	2,863
Cash at bank and in hand		675	2,743
		4,456	8,754
Creditors: amounts falling due within one year	14	(1,180)	(6,348)
Net current assets		3,276	2,406
Total assets less current liabilities		3,844	2,951
Creditors: amounts falling due after more than one year	15	(203)	(233)
Net assets		3,641	2,718
Capital and reserves			
Called up share capital	20	48	48
Share premium account	21	16	16
Revaluation reserve	21	125	125
Capital redemption	21	21	21
Profit and loss account	21	3,431	2,508
Equity shareholders' funds	22	3,641	2,718

The financial statements on pages 5 to 18 were approved by the board of directors on 10th July 2003 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.

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, with the income relating to future accounting periods being included in deferred income.

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:

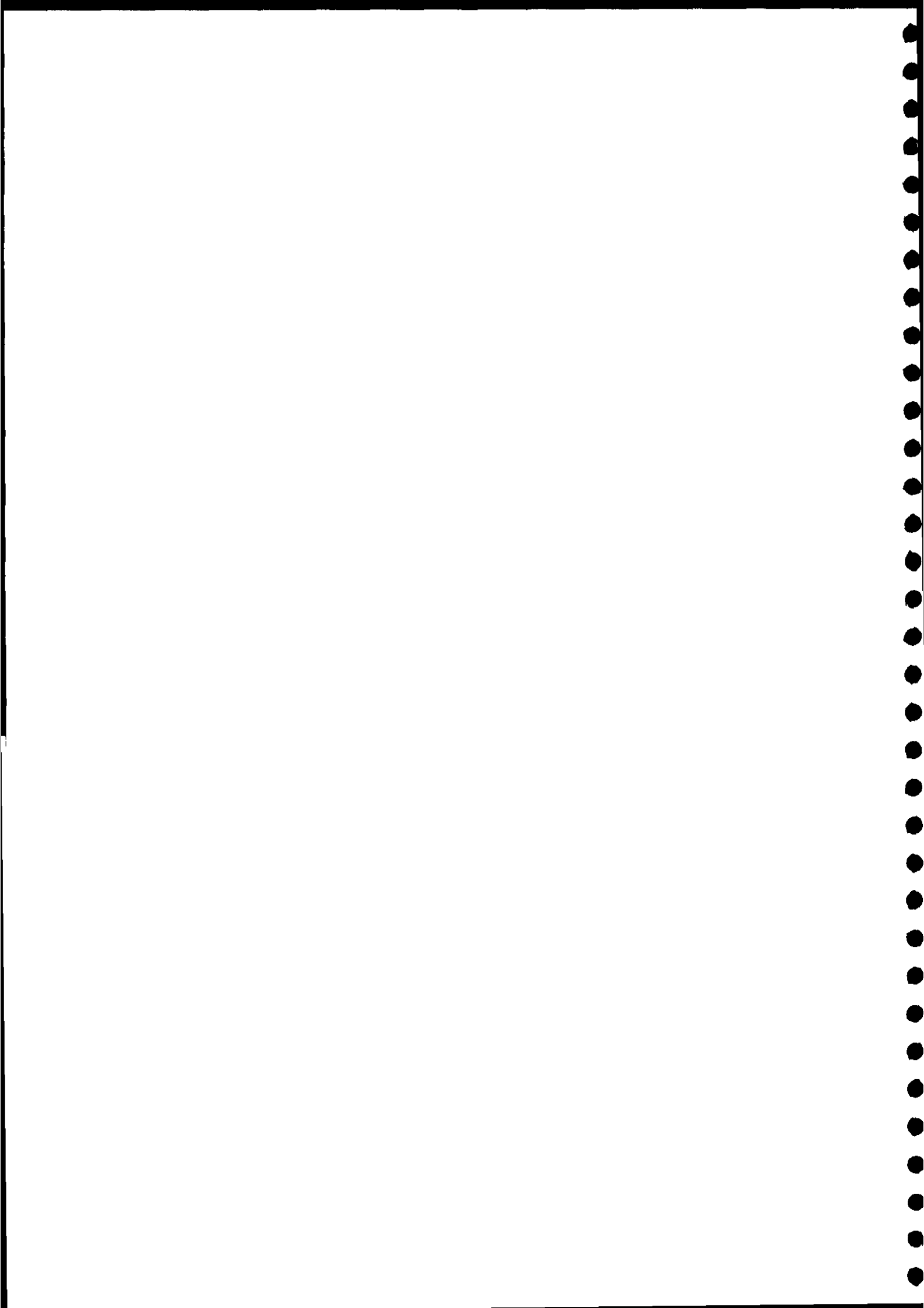
Long leasehold land	Nil
Buildings	3%
Fixtures	10%
Computers	33%
Vehicles	25%
Plant and Machinery	10%

Long leasehold land is not depreciated because the required depreciation is not material.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstance indicate that the carrying value may not be recoverable.



nCode International Limited

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value and include manuals and brochures which are 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 defined contribution pension scheme are charged against profit in the year in which payments are due.

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 2003

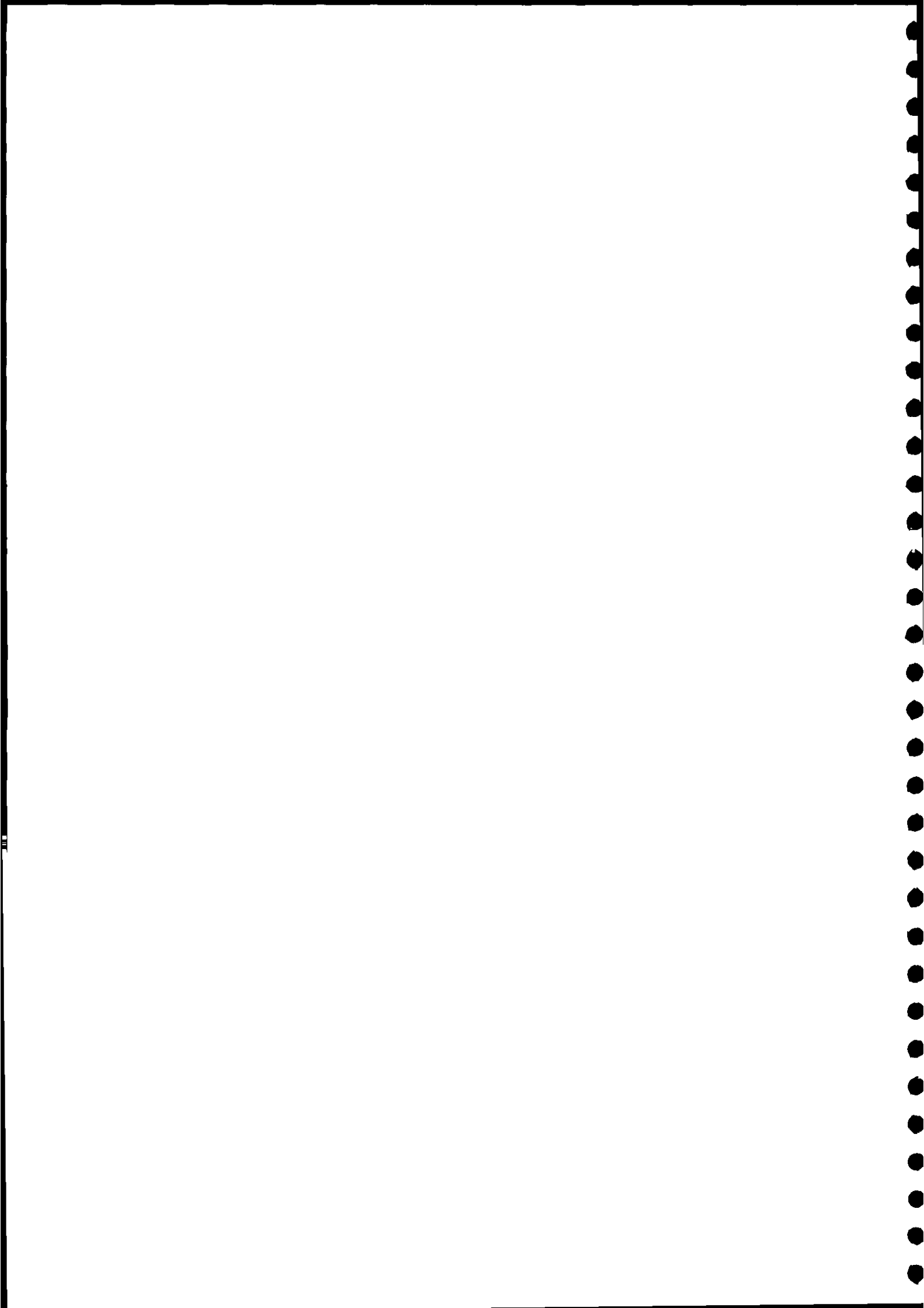
1 Turnover – by geographical destination

The geographical analysis of turnover by destination:

	2003	2002
	£'000	£'000
United Kingdom	1,539	1,711
North America	1,479	1,328
Europe	1,198	724
Far East and other	1,176	1,311
	5,392	5,074
Standard nCode software sales included above	4,288	3,922

2 Operating profit

	2003	2002
	£'000	£'000
Operating profit is stated after charging:		
Amortisation of intangible assets	8	-
Depreciation of tangible fixed assets		
- owned	21	59
- leased	46	24
Foreign exchange gain	14	14
Auditors remuneration		
- audit	9	10
- non audit services	-	1
Rentals under operating leases		
- plant and machinery	32	41
Profit on disposal of fixed assets	5	7



nCode International Limited

3 Directors' emoluments

	2003	2002
	£'000	£'000
Directors remuneration	128	149
Company contributions to money purchase pension scheme	9	9
	137	158

Benefits were accruing to one director (2002: 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.

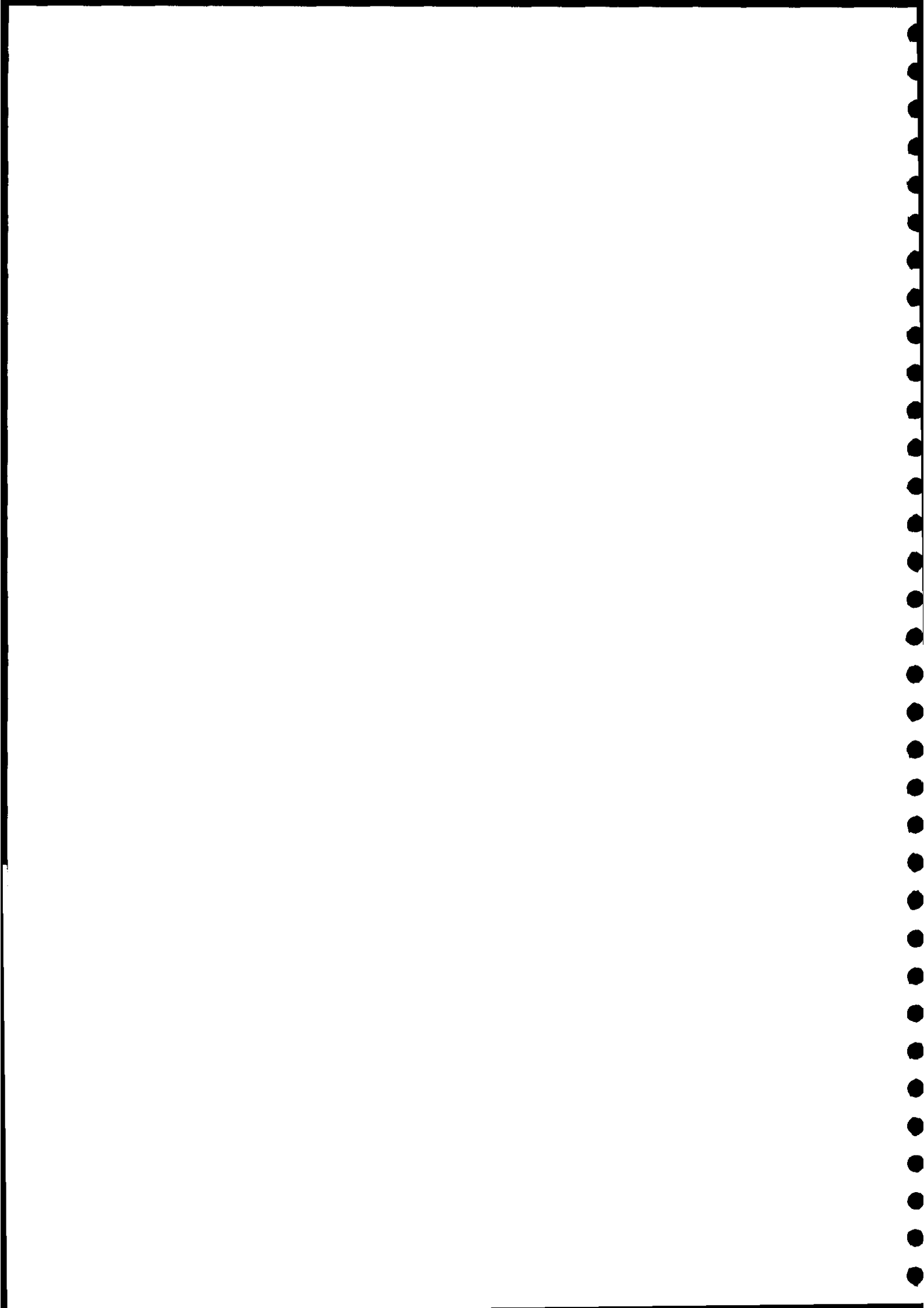
4 Employee information

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

By activity	Number	Number
	2003	2002
Management and administration	17	17
Technical and manufacturing	48	51
	65	68

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

Staff costs	2003	2002
	£'000	£'000
Wages and salaries	2,195	2,180
Social Security costs	244	225
Other pension costs (see note 8)	82	87
	2,521	2,492



nCode International Limited

5 Interest receivable and similar income

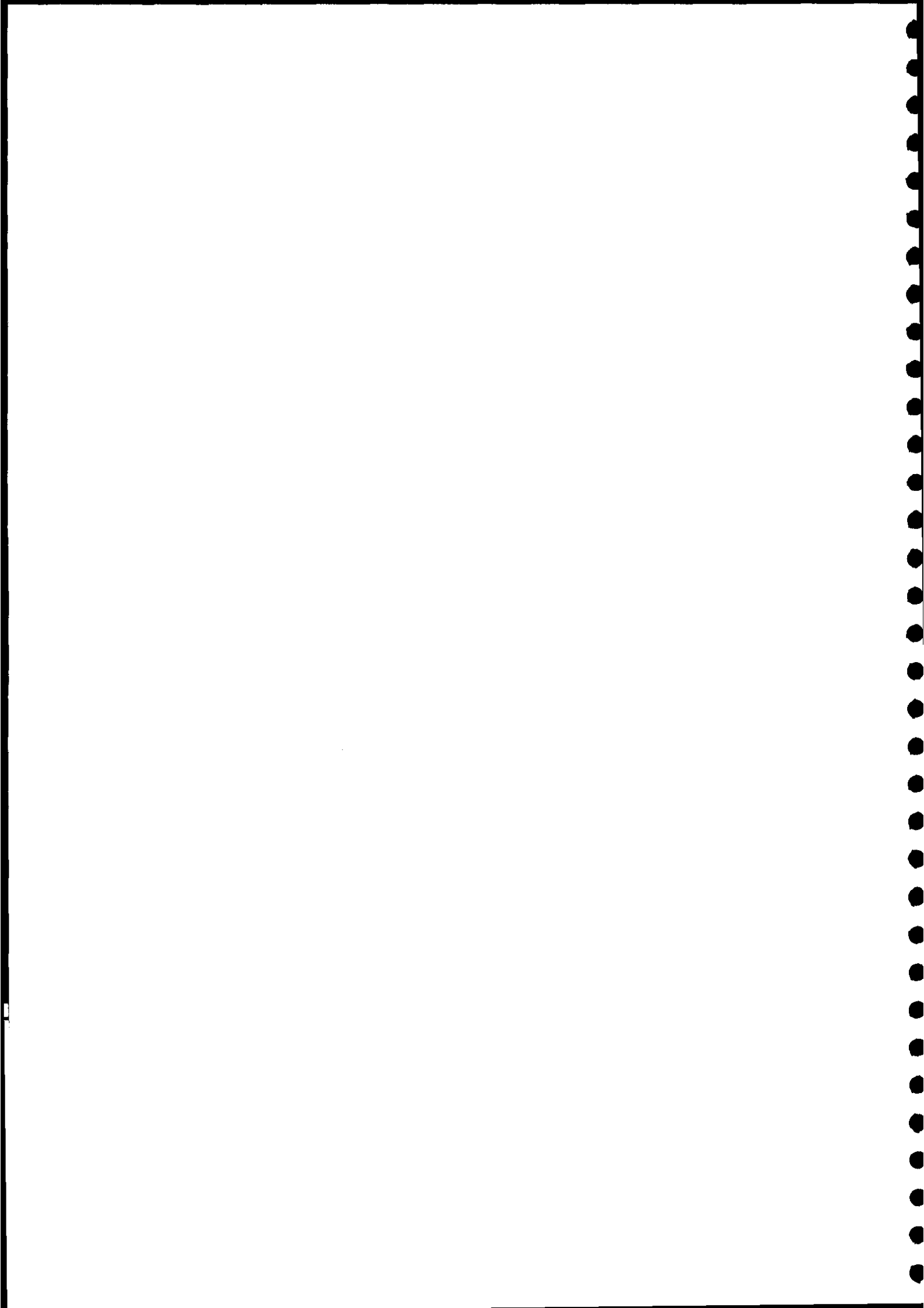
	2003	2002
	£'000	£'000
Bank interest received	57	35
Amounts receivable from group undertakings	103	162
	160	197

6 Interest payable and similar charges

	2003	2002
	£'000	£'000
Bank interest payable	-	1
Finance leases	5	9
Amounts payable to group undertakings	10	11
Other interest	-	1
	15	22

7 Tax on profit on ordinary activities

	2003	2002
	£'000	£'000
Current tax		
UK corporation tax at 30% (2002: 30%)	18	303
Adjustment in respect of prior periods	-	(373)
Double tax relief	(18)	-
Overseas taxation	18	33
Total current tax	18	(37)
Deferred tax		
Origination and reversal of timing differences	(19)	-
Tax on profit on ordinary activities	(1)	(37)



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:

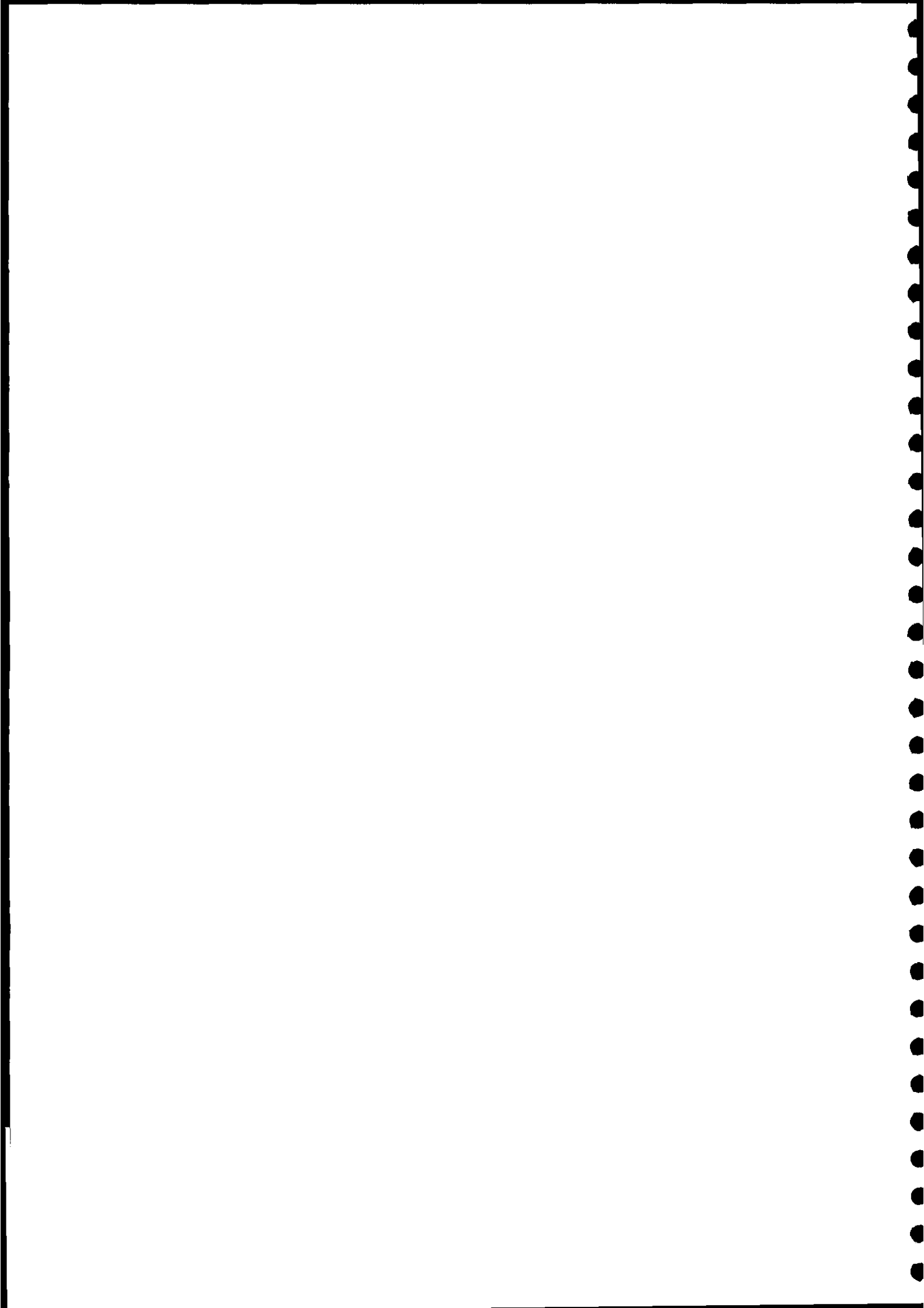
	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	922	849
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	277	255
Effects of:		
Accelerated capital allowances/other timing differences	(14)	(7)
Excess foreign taxes suffered	-	33
Expenses not deductible for tax purposes	11	55
Group relief claimed not paid – current period	(256)	-
Group relief claimed not paid – prior period	-	(373)
Current tax charge/(credit) for the year	18	(37)

8 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 £82,038 (2002: £87,848). Contributions owed to the funds at the end of the period amounted to £9,740 (2002: £6,583).

9 Intangible fixed assets

	Goodwill £'000
Cost or valuation	
At 1 April 2002	-
Additions at cost	44
At 31 March 2003	44
Accumulated amortisation	
At 1 April 2002	-
Charge for the year	8
At 31 March 2003	8
Net book amount	
At 31 March 2003	36
At 31 March 2002	-



nCode International Limited

Intangible fixed assets relate to the goodwill on the acquisition of the trade and assets of EMAS. The goodwill calculated below is being amortised over 5 years.

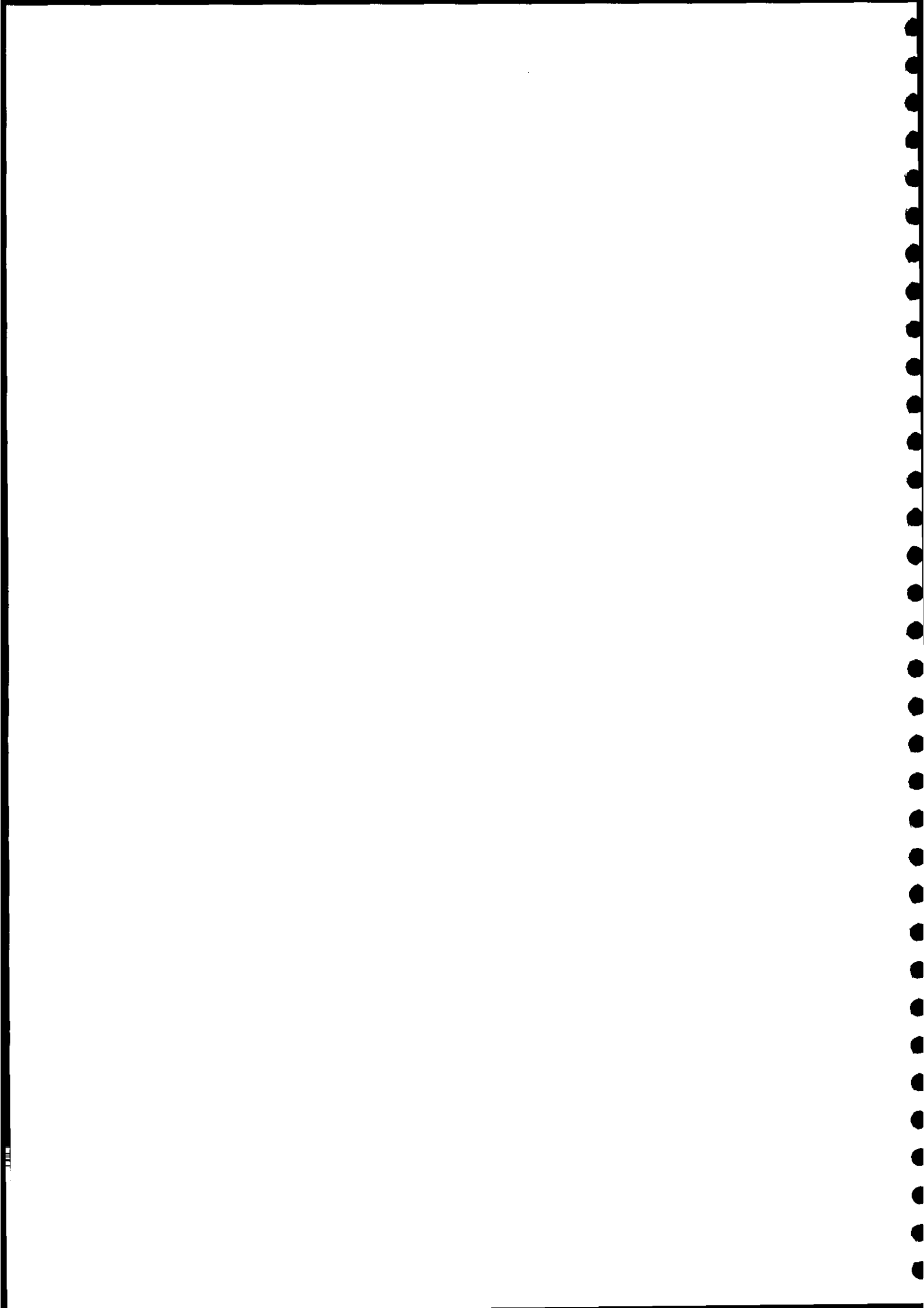
	Fair value £'000
EMAS acquisition	
Fixed assets	1
Books	5
Net assets required	6
Goodwill	44
Consideration satisfied by cash	50

10 Tangible assets

	Short leasehold land & buildings £'000	Computers & equipment £'000	Fixtures & vehicles £'000	Total £'000
Cost or valuation				
At 1 April 2002	420	457	193	1,070
Additions at cost	-	31	15	46
Disposals	-	-	(67)	(67)
At 31 March 2003	420	488	141	1,049
Accumulated depreciation				
At 1 April 2002	61	354	110	525
Disposals	-	-	(59)	(59)
Charge for the year	12	26	29	67
At 31 March 2003	73	380	80	533
Net book amount				
At 31 March 2003	347	108	61	516
At 31 March 2002	359	103	83	545

Included in short leasehold land and buildings is £75,000 (2002: £75,000) of non-depreciated long leasehold land.

The net book value of tangible fixed assets includes an amount of £70,000 (2002: £87,000) in respect of assets held under hire purchase agreements.



nCode International Limited

The company has followed the transitional provisions of FRS 15 "Tangible Fixed Assets" to retain the book value of short leasehold premises, which were revalued in 1998.

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

	2003 £'000	2002 £'000
Historical cost	295	295
Depreciation based on cost	(52)	(42)
	243	253
Leasehold land	53	53
Leasehold buildings	190	200
	243	253

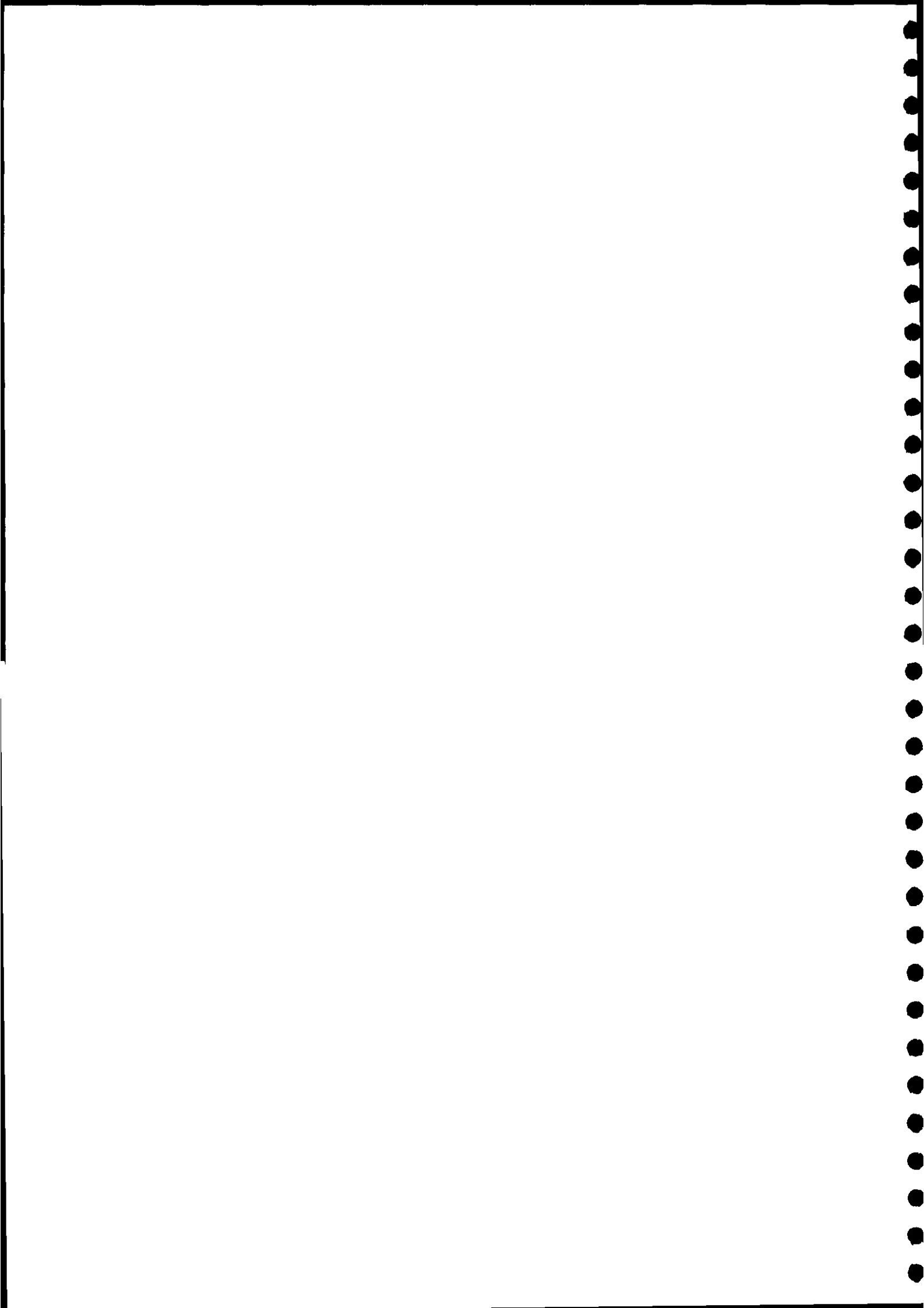
11 Investments

During the year the company set up a wholly owned subsidiary undertaking, nCode GmbH, which is registered in Germany.

Shares in subsidiary undertakings	Total £'000
Cost or valuation	
At 1 April 2002	-
Additions at cost	16
At 31 March 2003	16
At 31 March 2002	-

12 Stocks

	2003 £'000	2002 £'000
Raw materials and consumables	56	19
Work in progress	-	44
	56	63



nCode International Limited

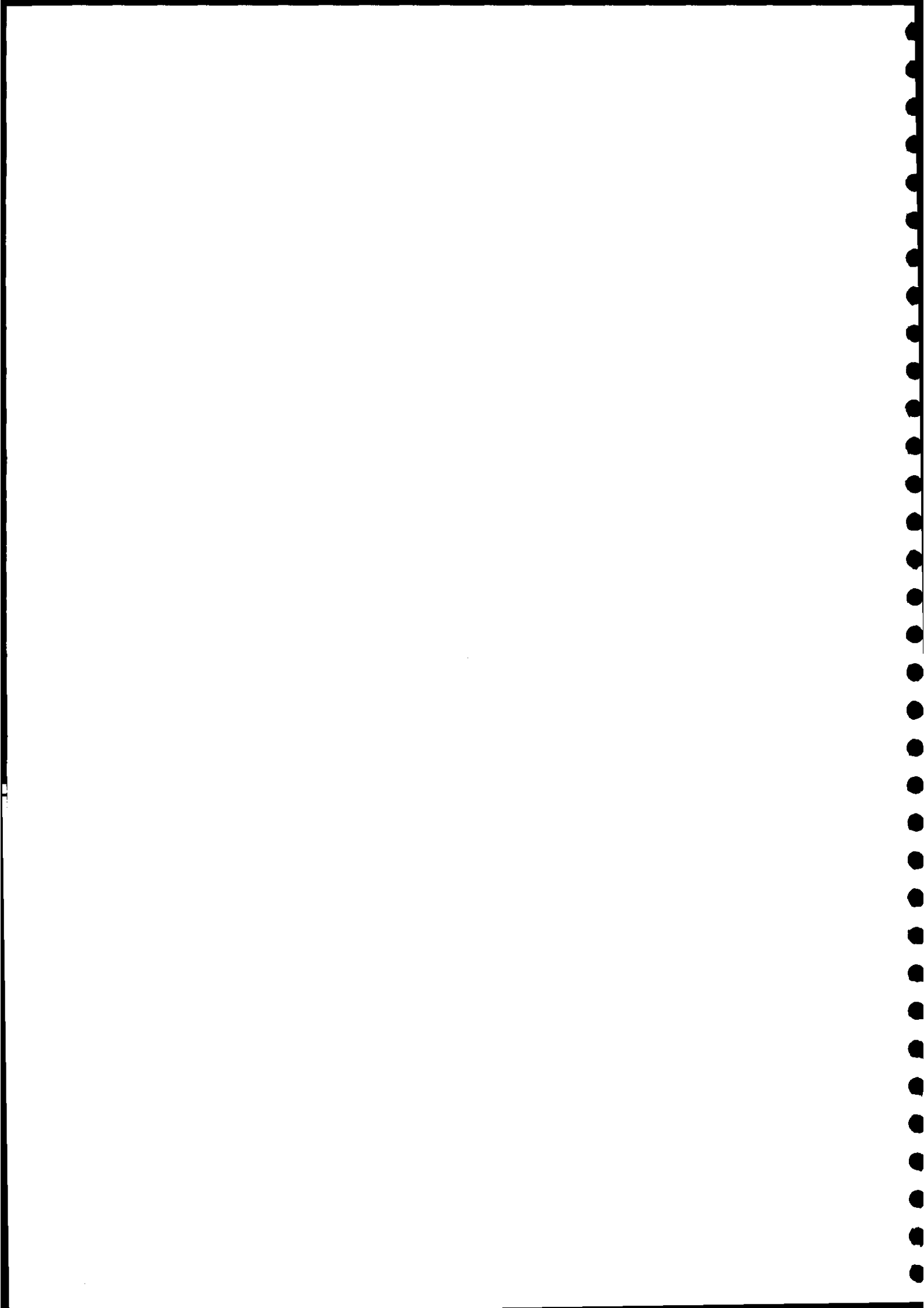
13 Debtors

	2003	2002
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	1,725	1,141
Amounts recoverable on contracts	421	456
Amounts owed by group undertakings	1,002	758
Loans from other group companies	-	401
Deferred tax asset (note 16)	19	-
Other debtors	558	329
	3,725	3,085

	2003	2002
	£'000	£'000
Amounts falling due within more than one year:		
Amounts owed by group undertakings	-	2,863

14 Creditors – Amounts falling due within one year

	2003	2002
	£'000	£'000
Trade creditors	114	109
Payments on account	-	86
Bank loans	-	7
Hire purchase liabilities (note 15)	29	33
Amounts owed to group undertakings	179	4,940
Overseas tax	3	122
Other taxation and social security	124	184
Accruals and deferred income	731	867
	1,180	6,348



nCode International Limited

15 Creditors – Amounts falling due after more than one year

	2003	2002
	£'000	£'000
Hire purchase liabilities	3	33
Amounts owed to subsidiary undertakings	200	200
	203	233

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

Borrowings due are repayable by instalments as follows:

	2003	2002
	£'000	£'000
Within one year	-	7

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

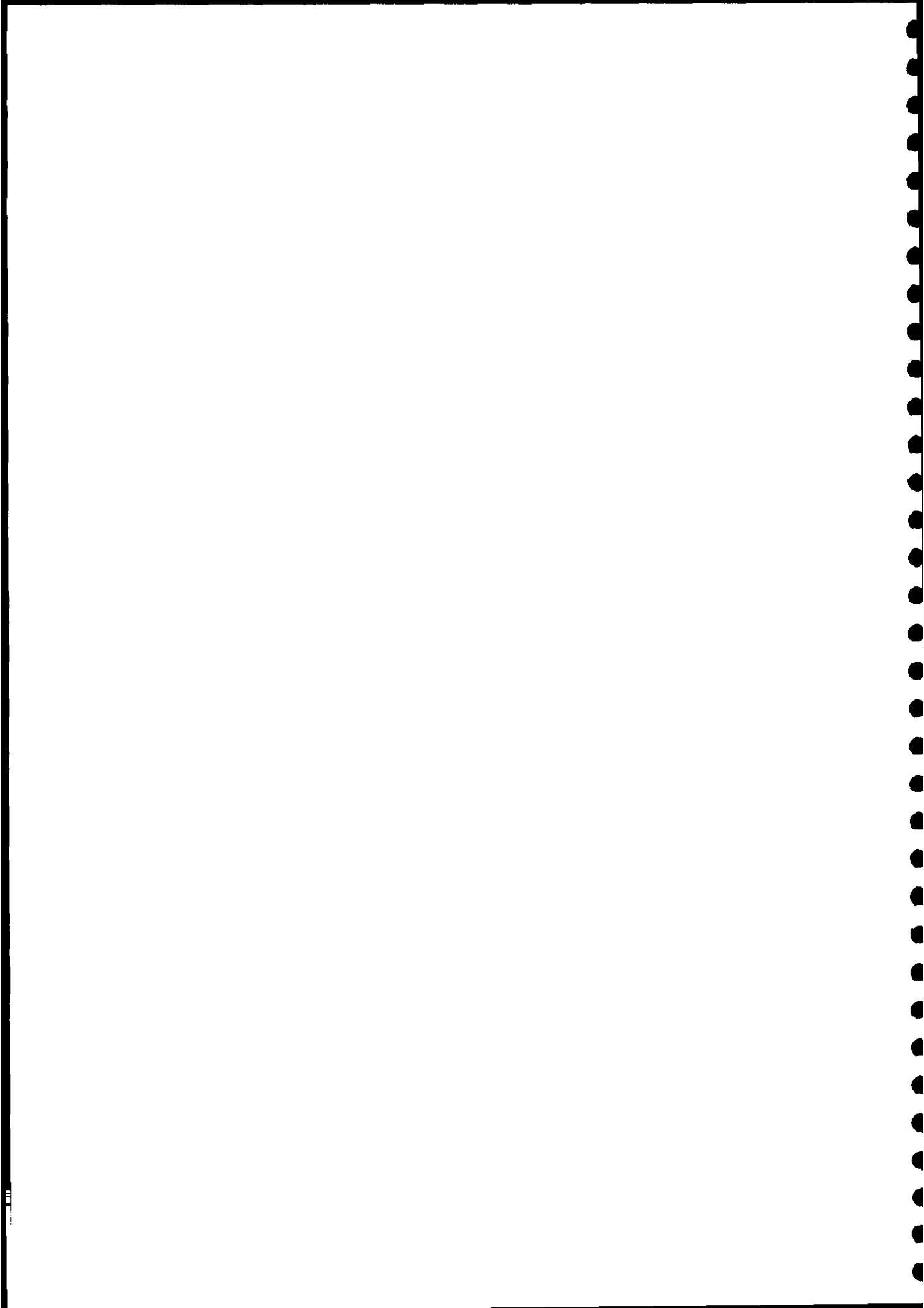
	2003	2002
	£'000	£'000
Within one year	29	33
One to two years	3	29
Two to five years	-	4
	32	66

16 Deferred tax

	Provided	Unprovided	Provided	Unprovided
	2003	2003	2002	2002
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(19)	-	-	(25)

17 Capital commitments

There was no capital expenditure authorised by the directors but not provided in the accounts (2002: £nil).



nCode International Limited

18 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases are shown below:

	2003 £'000	2002 £'000
Land and buildings		
On leases expiring within one year	5	7
On leases expiring between two and five years	6	6
Other		
On leases expiring within one year	17	25
On leases expiring between two and five years	39	53
	67	91

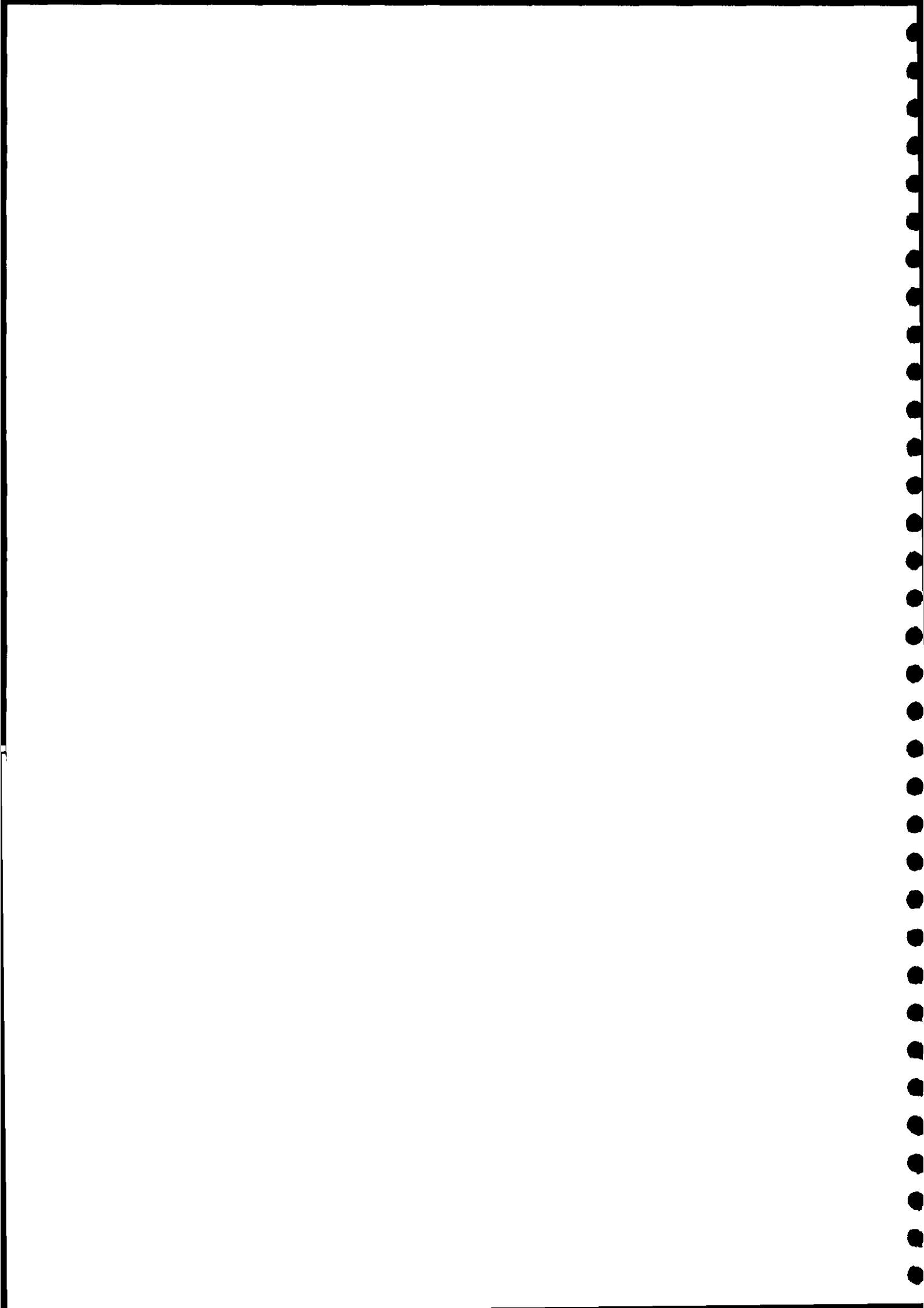
19 Contingent liability

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 2003 the amount outstanding was £5.3 million (2002: £3.3 million).

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

20 Called up share capital

	2003 £'000	2002 £'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

21 Reserves

	Share Premium	Capital Redemption	Revaluation Reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2002	16	21	125	2,508	2,670
Profit for the period	-	-	-	923	923
At 31 March 2003	16	21	125	3,431	3,593

22 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Opening equity shareholders	2,718	1,832
Profit for the financial year	923	886
Closing shareholders' funds	3,641	2,718

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 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.