ANNUAL REPORT 2001

CADCENTRE

THE SHAPE OF THINGS

ANNUAL REPORT 2001

CADCENTRE

Growth
Growth
Growth

FINANCIAL HIGHLIGHTS

	31-Mar-01 £000's	31-Mar-00 £000's	Growth
Profit and loss account highlights			
Turnover			
Recurring licence fees	13,393	10,262	31%
Initial licence fees	10,957	9,629	14%
Other sales	3,750	3,998	-6%
Total	28,100	23,889	18%
Far East	6,616	4,115	61%
Americas	7,873	6,608	19%
Europe, Middle East & Africa	13,611	13,166	3%
Total	28,100	23,889	18%
Research & Development costs	6,485	4,338	49%
Gross profit	19,061	16,007	19%
Gross margin	67.8%	67.0%	
Amortisation of goodwill	267	267	0%
software rights	335	137	145%
Operating profit	5,157	4,239	22%
Operating margin	18.4%	17.7%	
Profit before taxation	5,225	4,338	20%
Earnings per share – pence	20.94	17.72	18%
Total dividend per share, paid and proposed – pence	5.4	5.4	
Balance sheet highlights			
Goodwill & software rights (net)	5,165	5,444	-5%
Cash at bank and in hand	5,620	4,214	33%
Shareholders' funds: all equity	13,904	10,886	28%

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I am delighted to report excellent results for the year ended 31 March 2001, maintaining Cadcentre's unbroken record of growth in revenue, profit and earnings per share.

We have sustained our progress in implementing our strategy to extend from being solely a supplier of specialist 3D design software to becoming a core partner for comprehensive engineering information technology for our customers. These customers mainly comprise large engineering, procurement and construction companies (EPCs) and owner operators (O/Os) in the process and power industries.

RESULTS AND FINANCE

During the year ended 31 March 2001 turnover increased by 17.6% to £28.1 million (2000: £23.9 million). After providing for the investment in skills and products that has contributed to the re-positioning of the business, operating margins moved ahead again to 18.4% (2000: 17.7%). Profit before tax and the amortisation of intangible assets arising from acquisitions increased by 23% to £5.8 million (2000: £4.7 million) and earnings per share on a similar basis increased by 22% to 24.51p (2000: 20.14p). Profit before tax reported under FRS3 and other UK Accounting Standards improved by 20% to £5.2 million (2000: £4.3 million) and earnings per share were up by 18% to 20.94p (2000: 17.72p).

Despite unsettled economic conditions during the year, particularly in the USA, the group experienced strong revenue growth of 19% in the Americas and 61% in Asia Pacific where sales of Cadcentre's new products were particularly successful. Sales in Europe, Middle East and Africa were less strong but after an unchanged first half, they recovered with an increase of 8% in the second half to make a 3% improvement for the year as a whole.

Income directly related to the acquired products, VANTAGE and FOCUS, was £2.9m in the year (2000: £1.1m), an increase of 156% and now represents over 10% of our revenues. In addition to the first end-user licences for these products, this figure includes a $1 million licence to enhance a world wide web e-procurement development within the process plant industry.

Net cash at 31 March 2001 was £5.6 million (2000: £4.2 million).

DIVIDENDS

In the interim statement on 7 November 2000 the Board stated that, with the success of Cadcentre's strategy to drive forward its plans for growth and repositioning, it would maximise the resources funding that growth. As previously indicated, an unchanged final dividend of 3.6p is proposed, making a total dividend for the year of 5.4p (2000: 5.4p). The final dividend will be paid on 3 August 2001 to shareholders on the register at the close of business on 6 July 2001.

CREATING A MORE BALANCED BUSINESS PROFILE

The past year has witnessed exceptional volatility within stock markets, affecting TMT (technology, media and telecommunications) stocks in particular. Although the Software and Computer Services sub-sector (which includes Cadcentre) fell by more than 60% over the year to 31 March 2001, Cadcentre has fared well, bucking the trend with its share price increasing by nearly 33%.

During this period Cadcentre has been able to demonstrate a reduction in its former dependence on a rather 'lumpy' turnover profile with a more even spread of revenue and profit between the first and second halves of the year. At the same time there has been an increase in the proportion of orders generated from service contracts and, for the first time, Cadcentre has started its new financial year with a forward order book for services.

We have maintained a good spread across industry sectors with our three main business sectors of power generation, oil and gas and chemicals each contributing approximately 20 to 25% of total revenue; the balance comes mainly from pharmaceuticals, paper & pulp, food and shipbuilding. Furthermore, we have established a wide geographic presence, with sales in the UK (16%), rest of Europe, Middle East and Africa (32%), the Americas (28%) and Asia Pacific (24%).

BUSINESS ENVIRONMENT AND TRENDS

Several trends have become apparent in our industry.

Cadcentre's customers have always been concerned about the efficiency of their asset creation programmes, but their expectation of software vendors is now extending from specification, design and build requirements to include subsequent operation, maintenance, repair and decommissioning. This requires the re-use over an extended period of the data initially captured in the earlier stages of a design and then supplemented over the life of the plant. It is the efficient capture, re-use, management and control of this data which underlies Cadcentre's 'data for life' approach. The company's integrated product and services vision has been welcomed by our customers and the results announced today demonstrate the progress in its implementation whilst maintaining an unbroken record of profit growth.

The increasing use of the Internet as a delivery mechanism for our products has been assumed and the products are being web-enabled and prepared for delivery to users through an application service provider (ASP) arrangement. All Cadcentre's products already work across the web and are progressively being optimised to work in this way. This is attractive to customers because, when a project is awarded to a contractor, that contractor may wish to mobilise many people in various locations around the world within hours to work on the same design using a single database. This can only be achieved using the Internet or a corporate intranet. Bandwidth restrictions are being lifted or circumvented, so this method of working is expected to become a reality in due course. In turn, this led to a change in pricing policy which was also addressed last year.

Many companies in the process and power industries are well advanced with programmes to invest in tailoring ERP business systems to their requirements. For Cadcentre's customers to be able to achieve the potentially substantial savings available, it is increasingly appreciated that these ERP systems must be linked into their engineering processes. Cadcentre has positioned itself – and is recognised – as a provider of a wide range of engineering IT products and expertise with a deep understanding of the issues, and is being asked to help create these critical links between engineering and corporate ERP installations. Cadcentre has formed AVEVA Consulting, drawing together these skills from around the group, in order to provide a focus to drive forward revenue generation within this arena.

CHANGE OF NAME

AVEVA

While computer-aided design (CAD) will remain an important part of the company's business for the foreseeable future, the name Cadcentre is becoming misleading as our strategy expands into more complete engineering IT including design, data management, business process re-engineering, supply chain management and resource planning systems. Consent of shareholders will be sought in a Special Resolution to change the company's name to AVEVA Group plc from Cadcentre Group plc. Formal notice of the Resolution will be included with the notice for the forthcoming Annual General Meeting, scheduled for 12 July 2001.

OUTLOOK

These results begin to demonstrate the success of Cadcentre's new business proposition. With the new products already in profit and the core services infrastructure in place we look forward with confidence to further improvements in financial results in future years.

Richard A. King CBE
Chairman

23 May 2001

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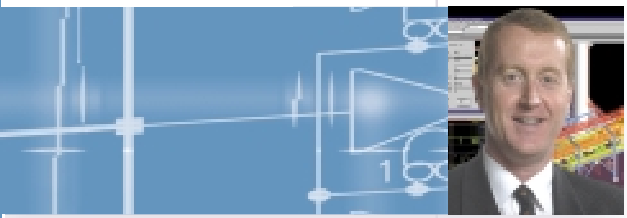


In line with our stated objectives for sustainable long term growth, Cadcentre has extended its solution beyond our core 3D PDMS plant design system to span the plant lifecycle from conceptual design through to fabrication and ultimately to decommissioning.

Cadcentre has undergone more changes in the past year than ever before, with the adoption of the acquired products into an integrated application package that is world class in all respects. Our combined development team has assembled a set of applications on which we can build on last year's revenue growth. The quality of our product set is a major contributing factor in attracting the largest number of new staff we have ever had join in one year. We have achieved a very good result in a difficult market, largely due to the commitment and talent of our staff and continued support from customers.

PEOPLE AND ORGANISATION

Lynn Muir
Group HR Manager
Cadcentre Group

David Wheeldon
Vice President R&D
Cadcentre Ltd

Peter Kidney
Director of Shared Services
Cadcentre Ltd

Following the establishment of our three geographic business units during 2000, we had the platform on which to build up our intellectual capital. Last year we were able to attract some of the industry's leading talent in order to further develop our product set and enhance our sales and service delivery capability. We have augmented the development teams for the newly acquired products and invested heavily in their integration and commercialisation.

Throughout the Group we have built up a significant skill set of industry experts, who are able to consult with customers on the deployment and integration of new data management tools. This activity has evolved to the point that we have created a new high level consulting business, AVEVA Consulting. Having moved dedicated consulting resource out, our Services and Technology division now becomes the Research and Development facility to the Group.

To support both our product business and our consulting business we have made provision for providing the essential services centrally via a shared services team. This will enable us to maintain consistency and standards which are essential for the effective running of a global business.

GLOBAL EXPANSION

Our policy of selling directly to our customers continues and over the last year we have expanded considerably our presence in the Asia Pacific region with our regional headquarters fully operational from Kuala Lumpur supporting six local sales and support offices. As a result of this investment we have seen an increase in revenue of 61% within this region. We have additional offices planned around the world as we continue to expand our geographic coverage.

Peter Finch
President
Cadcentre Asia Pacific

In our Europe, Middle East, Africa (EMEA) and North American business units we have strengthened our regional offices with additional sales and support staff able to develop the market for our newer products.

ACQUISITIONS

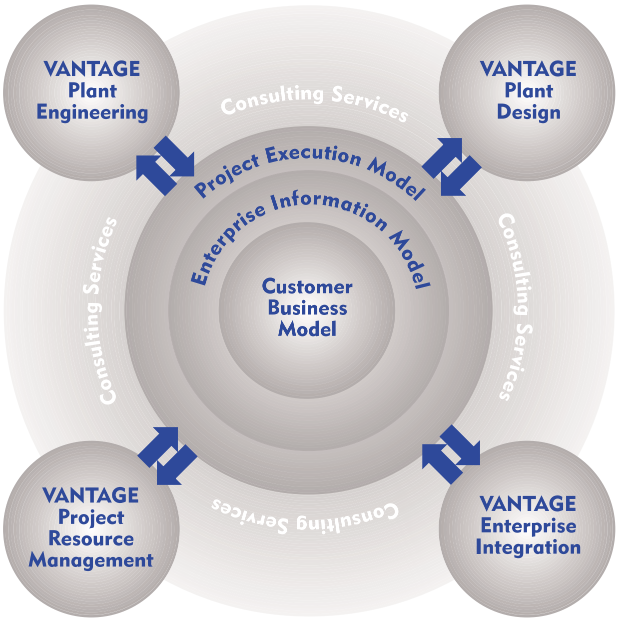
During the year we acquired the rights to the Open Plant Environment (OPE). This was a technology acquisition needed to complete the product portfolio that we outlined in our planned strategy two years ago. OPE enables us to provide an integration toolkit to link customers' Engineering IT applications and environments to enterprise systems, such as a corporate ERP system. Parts of the OPE technology will also provide enhanced functionality within other Cadcentre products. We will consider future acquisitions if they broaden our product footprint, or accelerate our business development.

Mike Bezzant
Vice President
Cadcentre International

CUSTOMER DEVELOPMENT

We now have over 700 customers using in excess of 16,000 systems worldwide. During the period under review we have seen a strong take up of our new products in the Asia Pacific region. Our larger established customers in EMEA and North America are also looking closely at how they will achieve substantial business improvement using some of Cadcentre's new products as part of a policy of integrating the Engineering IT domain with their enterprise-wide corporate systems.

We have introduced a more flexible pricing structure and have seen a small number of customers migrating to the new structure. Others are using the more flexible leasing option in addition to their traditionally purchased software licences.



PRODUCT STRATEGY

With the acquisition of products over the last two years we have considerably enhanced our internal development capability. During the year in review we launched a new conceptual design product and new design applications which add further scope to our 2D design capabilities.

We have packaged our integrated solution set under the VANTAGE product brand and continue to develop the interactivity between applications contained within the VANTAGE suite. The next major release of our core 3D design system based on Windows is currently being developed and is due to be released this year. It will deliver substantial productivity benefits to customers. Also due for release in mid 2001 is our Engineering Portal which will appeal to a wider group of customers and form a useful component for delivering further integration to customers. The portal will also be used as a front-end to our products as they start to become used via Application Service Providers (ASPs). A web-enabled version of our materials management system has already been delivered for inclusion in an e-procurement system.

AVEVA CONSULTING

SERVICES STRATEGY

In Spring 2000 Cadcentre began to draw together a global team of professionals within its Services and Technology Division. The role of this team was to consult with and assist customers with the issues surrounding the introduction of new technology and processes in the Engineering IT domain.

During the year the team carried out a variety of assignments for customers focused on the introduction of new Engineering IT methods and the linking of Engineering IT and corporate systems. In May 2001 we evolved this capability as a new business under the AVEVA Consulting brand. This will provide a range of services, from assessment of the client's business strategy, through integration of its infrastructure, to the day-to-day management of the operational system.

We will initially focus AVEVA Consulting on the Cadcentre installed base but expect to broaden the potential market place to include customers not yet using Cadcentre products.

As the company's service provision capability increases and customers realise that Engineering IT is not one of their own core competencies, we aim to capture additional service revenue by adding strategic and integration consulting. This will enhance the overall Cadcentre Group service capability beyond the training and implementation services already available.

FUTURE DEVELOPMENT

Cadcentre starts the year with a world-leading product portfolio and an evolving services division. Having invested heavily in the developing and marketing of the recently acquired products, we go into the new year with a strong pipeline of new business possibilities both within our existing customer base and new accounts.

With the oil and gas market emerging from a depressed period we are already seeing positive signs from this significant sector. As the workload in companies increases we expect to see the market for new products and the outsourcing of services increase. Cadcentre's stability and its long term relationships with customers will place it favourably to take advantage of these trends.

As Cadcentre has been acquiring additional products, and indeed its competitors, the supplier market is going through a period of consolidation which could yield a number of further opportunities for the company.

An emerging industry trend is to move applications to ASP and both our web development work and our more flexible pricing strategy will enable us to become an early player as this market develops.

Richard Longdon
Chief Executive

23 May 2001

FINANCIAL REVIEW

We have achieved a further year of substantial profitable growth.

OPERATING REVIEW

Turnover grew 18% to £28.1million (2000: £23.9 million). The largest increase was in the Far East where we have continued to expand our local presence opening new offices in Malaysia and Korea.

Recurring Licence revenues increased by 31% to £13.4m. Initial Licence fees increased by 14% to £11.0m and other sales reduced by 6% to £3.7m.

Operating profit amounted to £5.16 million an increase of 22%. This was after charging amortisation of goodwill arising on acquisition of £267k (2000: £267k) and £335k (2000: £137k) as the cost of amortising software rights acquired on acquisition.

Gross margin increased from 67% to 68%, and operating expense was maintained at 49%. Operating margin improved from 17.7% to 18.4%. Excluding the effect of amortisation of intangibles, operating margin improved to 20% (2000:19%).

Profit before tax increased to £5.23 million (2000: £4.34 million).

Expenditure on research and development increased by 49% to £6.49 million and now represents 23.1% of turnover (2000: £4.34 million and 18.2% of turnover). This increase reflects the costs of the acquired software development teams and the integration of our packaged solution set VANTAGE.

All research and development costs are written off in the year of expenditure.

Earnings per share were 20.94 pence (2000: 17.72 pence), an increase of 18%. A final dividend of 3.6 pence per share is to be proposed at the AGM, making a total for the year of 5.4 pence (2000: 5.4 pence).

CASH AND CAPITAL EXPENDITURE

Cash balances increased by £1.4m in the year to £5.6m.

Expenditure on tangible fixed assets in the year was £1.2m (2000: £1.4m).

ACQUISITIONS

During the year we acquired the product Open Plant for £323,000. The develop or buy decision was based on cost and speed to market and now completes our planned product portfolio.

FINANCIAL RISKS AND TREASURY POLICY

84% of the group's revenue is sourced outside the United Kingdom, 80% being invoiced in currencies other than pounds sterling. Only 40% of expenditure is in currencies other than sterling. The group therefore has a clearly defined policy for managing foreign exchange risk, which prohibits speculative dealings for which no underlying exposure exists. Foreign currency assets and liabilities are matched as far as possible and the net exposure may be hedged by means of forward currency contracts. During 2000/2001 the company entered into forward contracts amounting to £8.2 million sterling.


Richard King


Richard Longdon


Paul Taylor


Tony Christian


John Dersley


Jeremy Fairbrother


Colin Garrett


Peter Littleton


David Mann

Directors' report

For the year ended 31 March 2001

The directors present their annual report on the affairs of the group together with the financial statements and auditors' report for the year ended 31 March 2001.

Principal activities

The company is a holding company. The principal activities of the trading subsidiaries are the marketing and development of computer software and services for engineering and related solutions.

Business review

A review of the group's operations during the year and its plans for the future is given in the Chairman's and Chief Executive's Statements.

The group made a profit for the year after taxation of £3,525,000 (2000 – £2,950,000). Sales were £28,100,000 (2000 – £23,889,000) with overseas sales representing 84% (2000 – 82%) of the business.

Creditors payment practice

The company has no trade creditors (2000 – £nil).

Results and dividends

The group results and dividends are as follows:

	£000
Group profit for the year after taxation	3,525
Dividends paid and proposed	
– interim dividend paid of 1.8p per 10p ordinary share	(303)
– final proposed of 3.6p per 10p ordinary share	(609)
Retained profit for the year	2,613

Research and development

The group continues an active programme of research and development and all costs are expensed as incurred. The research and development programme covers the updating and extension to the group's range of products.

Intellectual property

The group owns intellectual property both in its software tools and the products derived from them. This includes the product known as PDMS. The directors consider these to be of significant value to the business, with those being acquired capitalised at cost and internally developed intellectual property costs being written off as incurred.

Directors and their interests

The directors who served during the year under review are shown below:

*	R A King	(Chairman)
	R Longdon	
	P R Taylor	(appointed 1 March 2001)
	A D Christian	
	J R Dersley	
*	J R F Fairbrother	
*	C A Garrett	(appointed 1 August 2000)
	P D Littleton	
*	D W Mann	

* Non-executive directors

The beneficial interests in the shares of the company of directors who held office at 31 March 2001 are as follows:

	2001 (or subsequent date of appointment)	2000 (or subsequent date of appointment)
	10p ordinary shares	10p ordinary shares
R A King	131,250	156,250
R Longdon	778,000	953,000
P R Taylor	4,000	4,000
A D Christian	6,722	4,512
J R Dersley	808,000	911,000
P D Littleton	12,000	-
D W Mann	17,800	17,800

No changes took place in the interests of directors in the shares of the company between 31 March 2001 and 23 May 2001. Director's share options are disclosed in the remuneration report on page 9.

Other substantial shareholdings

On 16 May 2001, the company had been notified in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the company:

Name of holder	Number	Percentage held
Gartmore Investment Management plc	2,068,595	12.22
Hermes Administration Services Ltd	1,295,367	7.65
Amvescap PLC	1,080,592	6.38
Invesco English and International Trust	763,000	4.51
3i Group PLC	706,272	4.17
University of Cambridge	675,000	3.99
Standard Life Investments Ltd	649,321	3.84
Barclays Bank plc	534,703	3.16

Charitable donations

During the year the group made charitable donations of £410 (2000 – £3,800).

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

High Cross
Madingley Road
Cambridge
CB3 0HB

By order of the Board,

P R Taylor
Secretary

23 May 2001

Board of directors

Richard King CBE, aged 71, Chairman

Richard King was appointed Chairman of Cadcentre in August 1994. Previously he held a number of senior managerial appointments in Philips N.V. in the UK, USA and Australia. Subsequently he formed Cambridge Electronic Industries plc which was floated on the London Stock Exchange. He was Chief Executive from 1980 to 1990. Since then he has been directly involved in a number of high technology companies as Chairman or as director. Currently he is Deputy Chairman of Xaar plc, a Director of Lionheart Management Services, Cambridge Technology Management and Chairman of Sentec Ltd. He is a Fellow of Darwin College, Cambridge.

Richard Longdon, aged 45, Chief Executive

Richard Longdon received an engineering training in the defence industry then gained experience in the project management of high value engineering projects. He moved into sales and held a series of international sales and marketing positions. He joined Cadcentre in 1984 and shortly afterwards was made marketing manager for the process products. In January 1992 he relocated to Frankfurt where he was responsible for setting up and running the group's German office. He returned to the UK as part of the management buyout team in 1994 subsequently taking responsibility for the group's worldwide sales and marketing activities before being appointed Managing Director in May 1999. He took over as Group Chief Executive in December 1999.

Paul Taylor FCCA, aged 36, Finance Director and Company Secretary

Paul Taylor is a Fellow of the Association of Chartered Certified Accountants and has been with the company for eleven years, latterly as Finance Director of Cadcentre Limited and Group Accountant. He was deeply involved in the flotation process and has been responsible for both UK accounting and overseas subsidiaries including adherence to group standards. Since 1998 Paul has also been UK Director of Human Resources and was appointed to the position of Finance Director and Company Secretary on 1 March 2001. Prior to joining Cadcentre, Paul originally trained within the accountancy profession before moving to Philips Telecommunications (UK) where he was responsible for the management accounts of its Public sectors division.

Tony Christian, aged 46, President – AVEVA Consulting Limited

Tony Christian joined Cadcentre in 1998 from Computer Sciences Corporation (CSC), the global IT consulting and services firm. He was a director of CSC's UK Consulting and Systems Integration Division and managed a consulting practice working in the petrochemical sector. He holds a Bachelor's degree in Mechanical Engineering and a Master's degree in Acoustics from the University of Nottingham. He held research and development posts at Racal and British Rail before moving into the CAD industry in 1982. His subsequent software industry experience includes three years with the factory control systems subsidiary of British Aerospace and four years with the computing subsidiary of Davy Corporation (now part of Kvaerner Group), where he headed the Division responsible for its process industry solutions. Cadcentre's broader product portfolio and growing services activity merged into a new Services and Technology Division, and Tony moved from his previous role as Managing Director of Cadcentre International Limited to head up this Division, before taking up his current role as President of AVEVA Consulting Limited.

John Dersley FCA, aged 52, Deputy Chief Executive

John Dersley qualified as a Chartered Accountant in 1971 then spent four years with the London office of Price Waterhouse including one year with the Insolvency Department. He moved into industry through internal audit and then into line management with a manufacturing company. He joined the UK subsidiary of a US group as Administration Manager, before moving to Cadcentre as Financial Controller and Company Secretary immediately after its privatisation in 1983. Appointed Finance Director in 1989, he was part of the management buyout team in 1994 and the flotation team in 1996. John has subsequently resigned from his position as Finance Director and Company Secretary, but remains Deputy Chief Executive pending full retirement at the annual general meeting to be held in July 2001.

Jeremy Fairbrother, aged 61, Non-Executive Director

Jeremy Fairbrother was educated at Balliol College, Oxford. He became a non-executive director of Cadcentre in 1994 and now chairs the audit and remuneration committees. He was a director at Baring Brothers & Co. Limited from 1982 to 1992. He left Barings in June 1992 to take up his present appointment as Senior Bursar at Trinity College Cambridge.

Colin Garrett, aged 44, Non-Executive Director

Colin Garrett was formerly the Head of Plc Advisory at PricewaterhouseCoopers in the Midlands. Previously, Colin was a Director of Corporate Finance at Albert E Sharp. He has advised a number of private and quoted technology companies and worked closely with management teams on their strategy and plans for growth. Colin is a non-executive director of Mettoni Group plc, Recognition Systems Group plc, and Vocalis Group plc. He is also non-executive chairman of 3G Comms Limited and ZBD Displays Limited.

Peter Littleton, aged 49, President – Cadcentre Inc

Peter Littleton was educated at the University of Pennsylvania. He has been involved with various aspects of Computer Graphics for the past 20 years. He worked at Day and Zimmerman, Inc., a large engineering and construction firm in Philadelphia. Peter then moved to the Boston area and was responsible for the international and domestic marketing of the CADDS 4x AEC offering from Computervision. He was Vice President of Sales & Marketing at Geographic Data Technology, in New Hampshire until 1996 when he joined Cadcentre Inc. In May 1999, Peter became a member of the Board of Directors for Cadcentre Group plc.

David Mann, aged 57, Non-Executive Director

David Mann was educated at Jesus College, Cambridge and spent twenty-five years with Logica plc. He became head of worldwide operations, then Group Chief Executive and finally Deputy Chairman before leaving the company in 1994. He is currently Chairman of Charteris plc and Flomerics Group plc (both quoted on AIM) and a non-executive director of Ansbacher Holdings Limited and Room Underwriting Systems Limited. He was President of the British Computer Society in 1994/95 and Master of the Worshipful Company of Information Technologists in the City of London in 1997/98.

Corporate governance statements

Statement of compliance with the Code of Best Practice

The company has complied throughout the year with the Provisions of the Code of Best Practice set out in section 1 of the Combined Code, published by the Hampel Committee and the London Stock Exchange.

Statement about applying the Principles of Good Governance

The company has applied the Principles of Good Governance set out in section 1 of the Combined Code by complying with the Code of Best Practice as described above. Further explanation of how the Principles have been applied is set out below and, in connection with directors' remuneration, in the remuneration report.

Board of directors

The executive directors of the group are fully involved in its management at all levels, and its direction and control remains firmly in their hands. The board is fully involved in the nomination, selection and appointment of non-executive and executive directors, although there is no formal written procedure in place.

The board currently comprises the non-executive chairman, three non-executive directors, including the senior independent director, and five executive directors. The board meets at least eight times during the year. It is responsible for the business and commercial strategy of the group, monitoring progress, the approval of major transactions and the approval of the financial statements and operating and capital expenditure budgets. A nomination committee for board appointments has not been established, because the full board is actively involved in all appointments. There is currently no intention to form a nomination committee given the board's size.

It is the view of the group, that all non-executive directors are deemed to be independent.

Audit committee

The audit committee comprises the four non-executive directors and is chaired by J R F Fairbrother, the senior independent director, with R A King , D W Mann and C A Garrett as members. The committee meets as required to review the scope of the audit and the audit procedures, the format and content of the audited financial statements, including their notes and the accounting principles applied. The committee will also review any proposed change in accounting policies and any recommendations from the group's auditors regarding improvements to internal controls and the adequacy of resources within the group's finance function.

Dialogue with institutional shareholders

The chief executive and the finance director have meetings with representatives of institutional shareholders at least twice annually. These meetings seek to build a mutual understanding of objectives by discussing long term issues and obtaining feedback. All shareholders are encouraged to participate in the company's annual general meeting.

Internal control

The board has applied Principle D.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the group faces. The board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with Internal Control: Guidance for Directors on the Combined Code published in September 1999. The board is responsible for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance with respect to the preparation of financial information and the safeguarding of assets and against material misstatement or loss.

In compliance with Provision D.2.1 of the Combined Code, the board continuously reviews the effectiveness of the group's system of internal control. The board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The board has also performed a specific assessment for the purpose of this annual report. This assessment considers all significant aspects of internal control arising during the period covered by the report. The audit committee assists the board is discharging its review responsibilities.

Remuneration report

As well as complying with the Provisions of the Code as disclosed in the company's corporate governance statements, the board has applied the Principles of Good Governance relating to directors' remuneration as described below.

Remuneration committee

The committee is made up of two of the non-executive directors, R A King and J R F Fairbrother, and is chaired by the senior independent director, J R F Fairbrother.

The principal function of the committee is to make recommendations to the board on the group's policy for executive remuneration, and to determine the individual remuneration packages on behalf of the board for the executive directors and senior managers within the group. Information prepared by independent consultants and appropriate survey data on the remuneration practices of comparable companies is taken into consideration. Members of the committee do not participate in decisions concerning their own remuneration.

Remuneration policy

The policy is to ensure that the group has remuneration packages in place by which it can recruit and retain high quality management. In setting the packages for executive directors and senior managers, the committee benchmarks against companies of a similar size, structure and complexity.

Remuneration packages consist of basic salary, bonus, benefits in kind and contributions to pension schemes.

Directors' remuneration

The total amounts for directors' remuneration and other benefits were as follows:

Name of director	Basic salary £000	Fees £000	Bonus £000	Benefits in kind £000	2001 Total £000	2000 Total £000
Non-executive						
R A King	-	32	-	-	32	25
J R F Fairbrother	-	12	-	-	12	11
C A Garrett *	-	9	-	-	9	-
D W Mann	-	12	-	-	12	10
Executive						
A D Christian	132	-	69	33	234	195
J R Dersley	137	-	69	37	243	214
P D Littleton	139	-	-	17	156	230
R Longdon	137	-	69	36	242	214
P R Taylor *	9	-	2	2	13	-
Aggregate emoluments	554	65	209	125	953	899

* Remuneration shown is from date of appointment

Directors' remuneration *(continued)*

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of the options are as follows:

Name	As at 1 April 2000	Granted	Exercised	**As at 31 March 2001**	Gain on exercise	Exercise price	Earliest date of exercise
	Number	Number	Number	**Number**	£		
A D Christian	150,000	-	-	**150,000**	-	272.5p	01.06.01
	-	50,000	-	**50,000**	-	524.7p	19.01.04
P D Littleton	50,000	-	(12,000)	**38,000**	51,072	50.4p	27.11.99
	50,000	-	-	**50,000**	-	200p	24.05.00
R Longdon	-	100,000	-	**100,000**	-	524.7p	19.01.04
P R Taylor	3,000*	-	-	**3,000**	-	50.4p	27.11.99
	3,000*	-	-	**3,000**	-	200p	24.05.00
	23,000*	-	-	**23,000**	-	179.2p	16.03.02
	71,000*	-	-	**71,000**	-	524.7p	19.01.04

*Share options held by P R Taylor were as at date of appointment.

All options except for those at 50.4 pence are subject to performance conditions.

The market price as at 31 March 2001 was 447.5p with a high-low spread for the year of 570p to 318.5p.

These options are normally exercisable in full or in part between the third and seventh anniversaries of the date of grant.

In addition to those options granted through the remuneration committee, it is the group's policy to grant new options once in each financial year to staff who have joined the group since the date of the previous grant.

Pensions

R Longdon, J R Dersley, A D Christian and P R Taylor are members of the Cadcentre Limited defined benefit pension scheme. It is a contributory, funded, final salary occupational pension scheme approved by the Inland Revenue. Under this scheme they are entitled to a pension on normal retirement, or on retirement due to ill-health, equivalent to two-thirds of their pensionable salary provided they have completed (or would have completed in the case of ill-health) 25 years' service (Inland revenue earnings limits apply to A D Christian and P R Taylor when calculating final salary). In the event of voluntary early retirement a lower pension is payable if the company so agrees, provided they have attained age 50. Pensions are payable to dependents on the director's death in retirement and a lump sum is payable if death occurs in service.

The following directors had accrued entitlements under the pension scheme as follows:

	Increase in accrued pension	Transfer value of increase	Annual pension at normal retirement date: Service to 31 March 2001	Annual pension at normal retirement date: Service to 31 March 2000
	£	£	£	£
A D Christian	740	-	8,670	6,130
J R Dersley	6,880	76,590	65,150	57,630
R Longdon	6,690	51,680	61,500	54,210
P R Taylor	3,480	17,050	13,830	10,246

The increase in accrued pension during the year excludes any increase for inflation.

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less directors' contributions.

Members of the scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

Service contracts

The service contracts for R Longdon and J R Dersley provide for a 52 week notice period, those of A D Christian and P R Taylor provide for a 39 week notice period, and that of P D Littleton provides for a 26 week notice period. The committee considers this to be in the best interests of the group to ensure stability in senior management, a profitable growth path for the business and to ensure that the business is in line with other companies of a similar size and nature. The service contracts for the non-executive directors provide for a three month notice period and for them to retire at any annual general meeting where they are so required by the Articles of Association.

Directors' responsibilities

Financial statements, including adoption of going concern basis

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing the financial statements, the directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Other matters

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report

To the Shareholders of Cadcentre Group plc:

We have audited the financial statements on pages 14 to 38 which have been prepared under the historical cost convention and the accounting policies set out on pages 19 to 22. We have also examined the amounts disclosed relating to emoluments, share options and pension benefits of the directors which form part of the remuneration report on pages 8 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 11, preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by 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 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 our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and the group is not disclosed.

We review whether the corporate governance statement on pages 6 and 7 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 affairs of the company and of the group at 31 March 2001 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors

Betjeman House
104 Hills Road
Cambridge
CB2 1LH

23 May 2001

Consolidated profit and loss account

For the year ended 31 March 2001

	Notes	2001 £000	2000 £000
Turnover	2	28,100	23,889
Cost of sales		(9,039)	(7,882)
Gross profit		19,061	16,007
Other operating expenses (net)	3	(13,904)	(11,768)
Operating profit		5,157	4,239
Finance income (net)	4	68	99
Profit on ordinary activities before taxation	5	5,225	4,338
Tax on profit on ordinary activities	7	(1,700)	(1,388)
Profit on ordinary activities after taxation, being profit for the financial year		3,525	2,950
Dividends paid and proposed on equity shares	8	(912)	(902)
Retained profit for the year	19	2,613	2,048
Basic earnings per share	9	20.94p	17.72p
Diluted earnings per share	9	20.39p	17.40p

The accompanying notes are an integral part of this consolidated profit and loss account.

All results are derived from continuing activities.

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2001

	2001	2000
	£000	£000
Profit for the financial year	3,525	2,950
Translation gain arising on consolidation	112	60
Total recognised gains and losses relating to the year	3,637	3,010

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated balance sheet

31 March 2001

	Notes	2001	2000
		£000	£000
Fixed assets			
Goodwill	10	2,114	2,381
Intangible assets	10	3,051	3,063
Tangible assets	11	3,487	3,409
		8,652	8,853
Current assets			
Debtors	13	9,734	7,956
Cash at bank and in hand		5,620	4,214
		15,354	12,170
Creditors: Amounts falling due within one year	14	(9,686)	(9,946)
Net current assets		5,668	2,224
Total assets less current liabilities		14,320	11,077
Creditors: Amounts falling due after more than one year	15	(50)	-
Provisions for liabilities and charges	17	(366)	(191)
Net assets		13,904	10,886
Capital and reserves			
Called-up share capital	18	1,692	1,673
Share premium account	19	7,151	6,877
Profit and loss account	19	5,061	2,336
Shareholders' funds – all equity	20	13,904	10,886

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

31 March 2001

	Notes	2001	2000
		£000	£000
Fixed assets			
Investments	12	7,205	7,205
Current assets			
Debtors	13	3,063	2,675
Cash at bank and in hand		46	46
		3,109	2,721
Creditors: Amounts falling due within one year	14	(609)	(602)
Net current assets		2,500	2,119
Total assets less current liabilities being net assets		9,705	9,324
Capital and reserves			
Called-up share capital	18	1,692	1,673
Share premium account	19	7,151	6,877
Profit and loss account	19	862	774
Shareholders' funds – all equity		9,705	9,324

The accompanying notes are an integral part of this balance sheet.

Signed on behalf of the Board

R A King

Directors

R Longdon

23 May 2001

Consolidated cash flow statement

For the year ended 31 March 2001

	Notes	2001 £000	2000 £000
Net cash inflow from operating activities	21	5,155	6,388
Returns on investments and servicing of finance	22	68	99
Taxation	22	(1,843)	(1,090)
Capital expenditure and financial investment	22	(1,310)	(4,609)
Acquisition	22	-	2
Equity dividends paid		(905)	(832)
Cash inflow (outflow) before financing		1,165	(42)
Financing	22	286	34
Increase (decrease) in cash in the year	23	1,451	(8)

The accompanying notes are an integral part of this consolidated cash flow statement.

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of consolidation

The group financial statements consolidate the financial statements of Cadcentre Group plc and its subsidiary undertakings made up to 31 March each year. 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.

Where the company does not hold a majority shareholding in an investee company, but the directors consider that dominant influence is exercised over its operating and financial policies, the investee company will be treated as a subsidiary for the purposes of consolidation.

No profit and loss account is presented for Cadcentre Group plc as provided by Section 230 of the Companies Act 1985. The company's profit after taxation for the financial year, determined in accordance with the Act, was £1,000,000 (2000 – £1,001,000).

c) Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is between seven and a maximum of twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31 March 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Purchased software rights are included at cost and depreciated in equal annual instalments over a period of ten years, which is the estimated useful economic life. Provision is made for any impairment.

d) Research and development

Research and development expenditure is written off in the year of expenditure.

e) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

The group has taken advantage of the transitional provisions of FRS15 Tangible Fixed Assets and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard. The properties were last revalued in 1994 and the valuations have not subsequently been updated.

1 Accounting policies *(continued)*

e) Tangible fixed assets (continued)

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	-	24%
Office equipment	-	15%
Fixtures and fittings	-	12%
Motor vehicles	-	25%

Leasehold property is amortised on a straight-line basis over the period of the lease or useful economic life if shorter.

Residual value is calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

f) Investments

Fixed asset investments are shown at cost less any provision for impairment.

g) Taxation

Current tax including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

h) Pension costs

The group operates a defined benefit pension scheme available to all UK employees after a qualifying period, which is contracted out of the state scheme. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effect of variations from regular cost is spread over the expected average remaining service lives of current members of the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.

The group also operates a defined contribution pension scheme for a number of non-UK employees. Costs are charged to the profit and loss account as incurred.

1 Accounting policies *(continued)*

i) Foreign currency

Transactions denominated in foreign currencies are recorded at actual exchange rates as of the date of the transaction, or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end, or, where appropriate at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The results of overseas subsidiary undertakings are translated at the average exchange rate during the year, and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas subsidiary undertakings are dealt with through reserves.

j) Turnover

Turnover comprises initial and extension licence fees, annual licence fees and leasing fees, income from consultancy and other allied services to third party customers (excluding VAT and similar taxes).

The group's products are licensed, not sold. Most users pay an initial fee upon installation followed by an obligatory annual fee on each anniversary of installation. Additional usage can be licensed at any time on payment of an extension fee similar to the initial fees. The annual fee covers continuing right to use, core product enhancements and remote support services.

As an alternative to the initial/extension plus annual fee, the group offers to lease its products.

Consistent with previous years, no revenue is recognised unless and until:

- a clear contractual arrangement can be evidenced
- delivery has been made in accordance with that contract even if locked by a software key
- if required, contractual acceptance criteria have been met
- our fee has been agreed and collectability is probable.

Initial and extension fees are recognised in full once the above conditions have been met. Annual and leasing revenues are allocated on a month by month basis to the period to which they relate. No provision is made for uninvoiced post contract support in the twelve months following an initial contract, as the incremental cost of this is considered incidental.

1 Accounting policies *(continued)*

k) Leases

Rentals payable under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Where fixed assets are financed by leasing arrangements which transfer to the group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

l) Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk. The group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the group's financial statements.

2 Turnover

An analysis of turnover by geographical area is set out below:	2001	2000
	£000	£000
United Kingdom	4,517	4,292
Europe, Middle East and Africa	9,094	8,874
Americas	7,873	6,608
Far East	6,616	4,115
	28,100	23,889

No further segmental analysis is given as, in the opinion of the directors, disclosure of this information would be seriously prejudicial to the interests of the group.

3 Other operating expenses (net)	2001	2000
	£000	£000
Selling costs	9,949	7,372
Administrative expenses	3,955	4,396
	13,904	11,768

4 Finance income (net)	2001	2000
	£000	£000
Bank interest receivable	115	131
Bank interest payable	(47)	(31)
Finance leases	-	(1)
	(47)	(32)
Finance charges (net)	68	99

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001	2000
	£000	£000
Depreciation of tangible fixed assets		
–owned	1,028	884
–held under finance leases	-	49
Amortisation of purchased software rights	335	137
Amortisation of goodwill	267	267
Auditors' remuneration		
–audit fees	106	96
–non-audit fees	35	43
Research and development costs	6,485	4,338
Operating lease rentals		
–motor vehicles	167	332
–other	30	15

6 Staff costs

Particulars of employees (including executive directors) are shown below:

	2001	2000
	£000	£000
Wages and salaries	10,319	9,229
Social security costs	901	835
Other pension costs	1,008	721
	12,228	10,785

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

	2001	2000
	Number	Number
Research, development and product support	117	88
Sales, marketing and customer support	116	116
Administration	33	24
	266	228

7 Tax on profit on ordinary activities

The tax charge comprises:

	2001	2000
	£000	£000
UK corporation tax	603	498
Double tax relief	(50)	(70)
	553	428
Foreign tax	972	769
Deferred tax	175	191
	1,700	1,388

8 Dividends paid and proposed on equity shares

	2001	2000
	£000	£000
Interim dividend paid of 1.8p (2000 – 1.8p) per 10p ordinary share	303	300
Final dividend proposed of 3.6p (2000 – 3.6p) per 10p ordinary share	609	602
	912	902

9 Earnings per share

The calculations of earnings per share are based on the profit after tax for the year and the following weighted average numbers of shares:

	2001	2000
	Number	Number
For basic earnings per share	16,837,650	16,651,512
Exercise of share options	451,979	301,264
For diluted earnings per share	17,289,629	16,952,776

10 Intangible fixed assets

Group	Purchased software rights £000	Goodwill £000
Cost		
At 1 April 2000	3,200	2,669
Additions	323	-
At 31 March 2001	3,523	2,669
Amortisation		
At 1 April 2000	137	288
Charge for the year	335	267
At 31 March 2001	472	555
Net book value		
At 1 April 2000	3,063	2,381
At 31 March 2001	3,051	2,114

Purchased goodwill arose on the acquisition of rights to integrate, develop and market 3D design software from AEA Technology on 30 March 1999. The initial cost of goodwill was £2,169,000.

In addition, on 12 November 1998 Cadcentre agreed to acquire from the distributor Kyokuto Boeki Kaisha all Cadcentre's business in Japan. The goodwill arising on acquisition was £500,000.

Purchased software rights arose on the acquisition of the products 'FOCUS' for £1,700,000 on 13 September 1999 and 'VANTAGE' for £1,500,000 on 2 December 1999. The current year additions represent the OPE software which was acquired for £323,000 on 7 September 2000.

The company had no intangible fixed assets in either year.

11 Tangible fixed assets

	Long leasehold land and buildings	Computer equipment	Fixtures, fittings and office equipment	Motor vehicles	Total
Group	£000	£000	£000	£000	£000
Cost					
At 1 April 2000	1,100	5,205	997	351	7,653
Additions	-	701	272	207	1,180
Disposals	-	(320)	-	(77)	(397)
Exchange adjustment	-	59	6	-	65
At 31 March 2001	1,100	5,645	1,275	481	8,501
Depreciation					
At 1 April 2000	133	3,593	415	103	4,244
Charge for the year	22	726	170	110	1,028
Disposals	-	(266)	-	(44)	(310)
Exchange adjustment	-	44	8	-	52
At 31 March 2001	155	4,097	593	169	5,014
Net book value					
At 1 April 2000	967	1,612	582	248	3,409
At 31 March 2001	945	1,548	682	312	3,487

The above numbers include £nil in respect of finance leases (2000 – £nil).

The company had no tangible fixed assets.

12 Fixed asset investment

	2001 Company	2000 Company
	£000	£000
Subsidiary undertakings	7,205	7,205

All subsidiary undertakings have been included in the consolidation.

12 Fixed asset investment *(continued)*

At 31 March 2001 the parent company and the group had the following investments:

Name of undertaking	Country of incorporation or registration	Principal activity	Description and proportion of shares and voting rights held
Cadcentre Limited	Great Britain	Software development and marketing	100% ordinary shares of £1 each
Cadcentre Inc.	USA	Software marketing	100% common stock of US$1 each
Cadcentre GmbH	Germany	Software marketing	100% ordinary shares of DM50,000 each
Cadcentre SA	France	Software marketing	100% ordinary shares of 200 FF each
Cadcentre East Asia Limited	Hong Kong	Software marketing	100% ordinary shares of HK$1 each
Cadcentre Property Limited	Great Britain	Holding property	100% ordinary shares of £1 each
Cadcentre Pension Trustee Limited	Great Britain	Trustee company	100% ordinary shares of £1 each
Cadcentre International Limited	Great Britain	Software marketing	100% ordinary shares of £1 each
Cadcentre A/S	Norway	Training and consultancy	100% ordinary shares of NOK 500 each
Cadcentre KK	Japan	Software marketing	100% ordinary shares of 50,000 Yen each
Cadcentre Sendirian Berhad	Malaysia	Software marketing	49% ordinary shares of MYR1 each
Cadcentre Asia Pacific Sendirian Berhad	Malaysia	Software marketing	100% ordinary shares of MYR1 each
Cadcentre Korea Ltd	Korea	Software marketing	100% ordinary shares of KRW500,000each
AVEVA Managed Services Limited (formerly Isopipe GB Limited)	Great Britain	Consulting & support services	100% ordinary shares of £1 each
AVEVA Solutions Limited	Great Britain	Consulting & support services	100% ordinary shares of £1 each
AVEVA Consulting Limited	Great Britain	Consulting & support services	100% ordinary shares of £1 each

All subsidiaries except Cadcentre Limited are indirectly owned.

Notes to the financial statements

(continued)

13 Debtors

	2001		2000	
	Group	Company	Group	Company
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	8,514	-	7,570	-
Amounts owed by group undertakings	-	3,063	-	2,675
Prepayments	964	-	386	-
Accrued income	256	-	-	-
	9,734	3,063	7,956	2,675

14 Creditors: Amounts falling due within one year

	2001		2000	
	Group	Company	Group	Company
	£000	£000	£000	£000
Obligations under finance leases	-	-	7	-
Trade creditors	387	-	470	-
UK Corporation tax payable	126	-	273	-
Foreign tax	539	-	710	-
Social security, PAYE and VAT	865	-	539	-
Other creditors	430	-	375	-
Accruals	1,003	-	2,256	-
Deferred income	5,727	-	4,714	-
Proposed dividend	609	609	602	602
	9,686	609	9,946	602

15 Creditors: Amounts falling due after more than one year

	2001		2000	
	Group	Company	Group	Company
	£000	£000	£000	£000
Deferred consideration	50	-	-	-

The deferred consideration relates to the final payment for the acquisition of the OPE software and is payable in September 2002.

16 Derivatives and other financial instruments

The disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures". Certain financial assets such as investments in subsidiaries are excluded from the scope of these disclosures.

The group's financial instruments comprise finance leases, cash and liquid resources, and various items, such as trade debtors and trade creditors, that arise directly from its operations. As permitted by FRS 13, short-term debtors and creditors have also been excluded from the disclosures (except as indicated below).

It is, and has been, throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing such risks on a regular basis as summarised below.

Interest rate and liquidity risks

The group holds net funds, and hence its interest rate risk and liquidity risk are associated with short term cash deposits. The group's overall objective with respect to holding these deposits is to maintain a balance between accessibility of funds and competitive rates of return. In practice this has meant that no deposits have been made with a maturity date greater than three months in the course of the year.

Foreign currency risk

Foreign currency risk arises from the group undertaking a significant number of foreign currency transactions in the course of operations. Where such transactions are material, the board has a policy of entering into foreign currency contracts or currency matching to help manage currency risk. The group's objectives in managing the currency exposure arising from its net investments overseas are to maintain a low cost of borrowing, and to retain some potential for currency related appreciation, while partially hedging against currency depreciation. Gains and losses arising from these structural currency exposures are recognised in the statement of total recognised gains and losses.

16 Derivatives and other financial instruments *(continued)*

Interest rate profile

The group has financial assets denominated in both sterling and currency deposits. These comprise deposits at short term rates.

	2001	2000
	£000	£000
Sterling	1,262	(28)
US Dollar	1,118	1,539
Deutsche Marks	839	926
French Francs	274	122
Euro	321	759
Yen	1,206	879
Norwegian Kroner	85	17
Korean Won	22	-
Malaysian Ringgit	493	-
Total	5,620	4,214

The weighted average rate of interest and average maturity date for applicable deposits are as follows:

	Interest rate	Maturity
Sterling	3.56%	1 month
Deutsche Marks	3.90%	7 days
US Dollar	3.13%	7 days
Euro	1.20%	7 days

The Yen, French Franc, Norwegian Kroner, Korean Won and Malaysian Ringgit deposits are held in clearing accounts, which bear only a marginal rate of interest. Cash is held in these accounts for operational purposes and limited periods only. As shown above all deposits mature within one year. There are no material financial liabilities.

Currency exposures

The table below shows the group's transactional currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in the functional currency of the operating unit. As at 31 March 2001 and 31 March 2000 these exposures (including those arising on short term debtors and creditors) were as follows:

Functional currency of group operation	US Dollar	Yen	Euro	Total
2001				
Sterling (£000)	874	-	321	1,195
2000				
Sterling (£000)	1,857	105	791	2,753

No overseas subsidiary has exposures in any currency other than the local currency.

16 Derivatives and other financial instruments (continued)

Borrowing facilities

The group had undrawn committed borrowing facilities at 31 March 2001 of £1,000,000 (2000 – £1,000,000) in respect of which all conditions precedent had been met. This facility is due for review on 30 September 2001.

Fair values

There is no material difference between the book value and fair value of the group's financial instruments in the current or the preceding year.

Gains and losses on hedges

The group enters into forward foreign currency contracts to minimise the currency exposures that arise on sales denominated in foreign currencies. The notional amount of forward exchange contracts at the year end amounted to £nil (2000 – £2,048,183). Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedge position matures. No material unrecognised gains or losses on hedged financial instruments existed at 31 March 2001 or 31 March 2000.

17 Provisions for liabilities and charges

Group

	Deferred Tax
	£000
At 1 April 2000	191
Charge for the year	175
At 31 March 2001	366

	Total potential liability			
	2001		2000	
	Group	Company	Group	Company
Provided	£000	£000	£000	£000
Tax effect of timing differences due to capital allowances	366	-	191	-
Not provided				
Tax effect of timing differences due to capital allowances	174	-	152	-

In addition, if the long leasehold property were to be sold at its current net book value, a tax liability of up to £283,000 (2000 – £290,000) may arise. No provision has been made for this liability as there is no intention to dispose of the property. If the property were to be sold in the future, the tax liability would probably be mitigated or deferred by available reliefs.

18 Called-up share capital

	2001	2000
	£000	£000
Authorised		
22,000,000 ordinary shares of 10p each	2,200	2,200
Allotted, called up and fully paid		
16,924,100 (2000 – 16,729,850) ordinary shares of 10p each	1,692	1,673

During the year 194,250 ordinary shares with a nominal value of £19,425 were issued following the exercise of employee share options of 63,350 at an exercise price of 50.4p per share and 130,900 at an exercise price of 200p per share. This gave proceeds of £293,728 and a premium of £274,303.

Share options

Share options have been granted to certain employees of the group (excluding directors) and remain outstanding as follows:

	Number of options	Exercise price (p)
27 November 1996	160,000	200.0
27 November 1996	128,650	50.4
13 June 1997	25,000	230.0
16 March 1998	42,000	395.0
1 June 1998	150,000	272.5
16 March 1999	48,200	179.2
10 January 2000	100,000	300.9
30 March 2000	75,600	342.5
31 August 2000	10,000	491.8
19 January 2001	407,300	524.7

These options are normally exercisable in full or in part between the third and seventh anniversaries of the date of grant.

19 Reserves

Group	Share premium account £000	Profit and loss account £000
As at 1 April 2000	6,877	2,336
Retained profit for the year	-	2,613
Translation gain arising on consolidation	-	112
Share issues	274	-
At 31 March 2001	7,151	5,061

Company	Share premium account £000	Profit and loss account £000
At 1 April 2000	6,877	774
Share issues	274	-
Retained profit for the year	-	88
At 31 March 2001	7,151	862

The share premium account is not distributable.

20 Reconciliation of movements in group shareholders' funds

	2001 £000	2000 £000
Profit for the financial year	3,525	2,950
Other recognised gains and losses relating to the year	112	60
	3,637	3,010
Dividends paid and proposed on equity shares	(912)	(902)
New shares issued	293	55
Net addition to shareholders' funds	3,018	2,163
Opening shareholders' funds	10,886	8,723
Closing shareholders' funds	13,904	10,886

21 Reconciliation of operating profit to net cash inflow from operating activities

	2001	2000
	£000	£000
Operating profit	5,157	4,239
Depreciation and amortisation charges	1,630	1,337
Profit on disposal of fixed assets	(6)	(6)
Increase in debtors	(1,726)	(1,093)
Increase in creditors	100	1,911
Net cash inflow from operating activities	5,155	6,388

22 Analysis of cash flows

	2001	2000
	£000	£000
Returns on investments and servicing of finance		
Interest received	115	131
Interest paid	(47)	(31)
Interest element of finance lease rentals	-	(1)
Net cash inflow	68	99
Taxation		
UK corporation tax paid	(700)	(370)
Foreign tax paid	(1,143)	(720)
Net cash outflow	(1,843)	(1,090)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,180)	(1,432)
Purchase of intangible fixed assets	(223)	(3,200)
Sale of tangible fixed assets	93	23
Net cash outflow	(1,310)	(4,609)

22 Analysis of cash flows *(continued)*

	2001	2000
	£000	£000
Acquisition		
Purchase of subsidiary undertaking	-	(9)
Cash acquired with subsidiary undertaking	-	11
Net cash inflow	-	2
Financing		
Issue of ordinary share capital	293	55
Capital element of finance lease rental payments	(7)	(21)
Net cash inflow	286	34

23 Analysis and reconciliation of net funds

	1 April 2000	Cash flow	Exchange differences	31 March 2001
	£000	£000	£000	£000
Cash in hand and at bank	4,214	1,451	(45)	5,620
Finance leases	(7)	7	-	-
Net funds	4,207	1,458	(45)	5,620

	2001	2000
	£000	£000
Increase (decrease) in cash in the year	1,451	(8)
Cash outflow from decrease in debt and lease financing	7	21
Change in net funds resulting from cash flows	1,458	13
Currency translation differences	(45)	(85)
Movement in net funds in year	1,413	(72)
Net funds at 1 April 2000	4,207	4,279
Net funds at 31 March 2001	5,620	4,207

24 Guarantees and other financial commitments

a) Pension arrangements

The group operates a defined benefit pension plan providing benefits based on final pensionable pay, which is available to all UK employees, after a qualifying period. Administration on behalf of the members is governed by a Trust Deed, and the funds are held and managed by professional investment managers who are independent of the group.

Contributions to the scheme are made in accordance with advice from an independent professionally qualified actuary at rates which are calculated to be sufficient to meet the future liabilities of the scheme. The employees' contributions are fixed as a percentage of salary, the balance being made up by the employer.

The most recent actuarial valuation was carried out as at 1 April 1998 using the projected unit method.

The assets of the scheme were taken into account at a smoothed market value. Consistent with this, the liabilities were valued using financial assumptions derived from yields on index-linked and fixed interest government securities.

In particular, the main actuarial assumptions were that:

a) the return on scheme investments would be 7% per annum
b) salaries would increase by 5% per annum
c) pensions in payment would increase by 3% per annum.

The above approach differs from that used previously. For previous valuations, liabilities were valued using long-term financial assumptions. Consistent with this, the assets were taken into account at an actuarial value, based on the discounted value of future income. The change in approach represents a move to a market-related basis for valuing assets and liabilities.

The market value of the assets of the scheme was £11,030,000 and the smoothed market value of the assets represented 106% of the benefits that had accrued to members after allowing for expected future increases in earnings. This surplus, amounting to £556,000, is expected to be eliminated over the period to 2020 through reduced employer contributions.

The pension charge for the year amounted to £896,000 (2000 – £644,000).

The group also operates a defined contribution scheme for US, German, French and Norwegian employees for which the pension charge for the year amounted to £112,000 (2000 – £77,000).

24 Guarantees and other financial commitments *(continued)*

b) Lease commitments

At 31 March 2001 the group had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Motor vehicles	Other	Motor vehicles	Other
	£000	£000	£000	£000
Expiring within one year	71	-	85	-
Expiring between two and five years	61	159	80	-
Expiring after five years	-	-	-	89
	132	159	165	89

c) Capital commitments

At the end of the year the group and company had capital commitments contracted for but not provided for of £14,000 (2000 – £22,000).

25 Related party transactions

There were no transactions with related parties in either year that require disclosure within these financial statements.

Company information and advisors

Directors	Richard King CBE *Chairman*
	Richard Longdon *Chief Executive*
	Paul Taylor *Finance Director*
	Tony Christian *Director – AVEVA Consulting*
	John Dersley *Director and Deputy Chief Executive*
	Jeremy Fairbrother *Non-executive Director*
	Colin Garrett *Non-executive Director*
	Peter Littleton *President – Cadcentre Inc*
	David Mann *Non-executive Director*
Secretary	Paul Taylor
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Solicitors	Mills & Reeve Francis House 112 Hills Road Cambridge CB2 1PH
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