

**DLC**  
**28 August 2009**

**DELCAM PLC**

**(“Delcam” or “the Company”)**

**Half Year Report**  
**For the six months to 30 June 2009**

- Very challenging market conditions with manufacturer customer base deferring software spend
- Sales of £16.1m (2008: £16.9m)
- Recurring maintenance revenues, derived from software maintenance and support contracts, increased by 13% to £5.8m (2008: £5.1m), representing 36% of total sales
- Strategic decision to continue to maintain high level of software R&D investment for market advantage - £4.7m invested in the period (2008: £4.5m)
- Pre-tax tax profit of £0.3m (2008: £1.4m)
- Basic earnings per share of 3.2p (2008: 14.9p)
- Net cash of £5.8m at 30 June 2009 (2008: £6.4m)
- Interim dividend maintained at 1.35p (2008: 1.35p)
- Board remains confident of Delcam’s ability to build market share during the downturn

Peter Miles, Chairman, commented,

*“Reflecting the global financial and economic crisis, the trading environment in 2009 has been challenging and the impact of the downturn in the manufacturing sector has been even harder than we initially anticipated at the end of last year. With many companies postponing their investments in capital equipment, it is to be expected that the associated software sales should also be delayed.*

*However, as we stated in our 2008 annual report, given Delcam’s strong financial position and high level of recurring income, we believe that the business is well placed to see out the near-term challenges. In particular, we are continuing to invest significantly in product development and marketing. This provides us with an increasing commercial advantage and will help to support our ambitions to build our market share during the downturn.”*

**Enquiries:**

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## **Chairman's Statement**

Reflecting the global financial and economic crisis, the trading environment in 2009 has been challenging and the impact of the downturn in the manufacturing sector has been even harder than we initially anticipated at the end of last year. However, as we stated in our 2008 annual report, given Delcam's strong financial position and high level of recurring income, we believe that the business is well placed to see out the near-term challenges. In particular, we are continuing to invest significantly in product development and marketing. This provides us with an increasing commercial advantage and will help to support our ambitions to build our market share during the downturn.

Against a very difficult trading backdrop, results for the first half of the financial year, traditionally our weaker trading period, are in the circumstances pleasing. Our strong global distribution channels and our diversification into a broader range of industries, in particular into the medical, dental and footwear sectors, continue to help to underpin our performance.

## **Financial Results**

Sales for the six months to 30 June 2009 were £16.1 million compared to £16.9 million in the first half of last year. Income from maintenance revenues, derived from software maintenance and support contracts, increased to £5.8 million over the period from £5.1 million in the first half of last year. This recurring, highly predictable revenue stream accounted for 36% of revenue.

In line with our strategy, the Company continues its investment in product development at the high levels we believe to be necessary for our long-term success. This resulted in £4.7 million (2008: £4.5 million) being invested over the period.

Profit before tax for the period amounted to £0.31 million compared with £1.42 million during the first six months of 2008 and basic earnings per share were 3.2p against 14.9p last year.

The balance sheet remains strong with net cash of £5.8 million (31 December 2008: £6.4 million).

## **Dividend**

We are pleased to declare a maintained interim dividend payment of 1.35p per ordinary share (2008: 1.35p). This will be paid on 28 September 2009 to shareholders on the Register as at 11 September 2009. The ex-dividend date is 9 September 2009.

## **Review**

The reduction in global manufacturing has affected new sales across the full range of Delcam's products. Many of our software sales are made to companies that are expanding their manufacturing capacity. With many companies postponing their investments in capital equipment, it is to be expected that the associated software sales should also be delayed. While this represents the general global picture, revenues from India and China have continued their growth, albeit at a lower rate than in recent years. Revenues from our international business have been insulated to a certain extent by the depreciation of Sterling against the US Dollar and the Euro. However, Sterling's weakness also resulted in higher administrative expenses in our overseas subsidiaries. The overall net benefit of its depreciation was therefore reduced somewhat.

Income from software maintenance and support services from our existing customers continues to grow strongly. This reflects the high value that our users place on the regular

enhancements to our software products and on the high level of service support they receive from our organisation.

Sales of our newer software products for the medical, dental and footwear industries continue to show encouraging growth. We believe that these markets represent very good growth areas for us and have increased the proportion of our development and marketing resources devoted to them. Our experience and expertise in developing software for the design, machining and inspection of complex shapes can be transferred to the benefit of these new customers and used by them to reduce their production costs, shorten their lead times and improve the quality and consistency of their manufacturing processes.

We have continued to increase the investment in our Professional Services Group and our Tooling Services Division which work together to provide process development and pre-production manufacturing services. In February, we opened an Asian Division of the Professional Services Group based in Singapore and have added a new large five-axis machine tool in the Tooling Services Division.

We are pleased that the latest industry survey, published by independent global consulting analysts, CIMdata, shows that we have moved up to third place in the overall rankings of developers of NC software and services and have strengthened our position as the world's leading specialist supplier of CAM software.

#### **New Managing Director**

At Delcam's Annual General Meeting in May 2009, we were delighted to announce that Clive Martell, the Company's Operations Director, would be taking up the role of Managing Director on 1 August 2009. Clive was previously responsible for the day-to-day management of the Company's operations worldwide. His appointment as Managing Director followed Hugh Humphrey's decision to retire from that position after 20 years' stewardship. We are pleased that Hugh is remaining on the Board as an Executive Director and Deputy Chairman. These role changes have now taken effect.

#### **Outlook**

The current global economic uncertainty makes it harder than usual to predict how well the Company will perform in the second half and especially in the last quarter, which historically is our most important trading period in the year. However, we anticipate an improvement in profitability in the second half of the year. Our strong balance sheet, broad portfolio of existing products and new products scheduled for release during the remainder of the year mean that we are well positioned to respond to any increase in manufacturing activity. In addition, we believe that the spread of our activities across a diverse range of industries and geographic territories will help us to perform better than many of our competitors.

Looking further ahead, we continue to view long-term prospects for the Company positively.

**Peter Miles**

Chairman

28 August 2009

## CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months to 30 June 2009	Unaudited Six months to 30 June 2008	Audited Year to 31 Dec 2008 (restated *)
	Notes	£'000	£'000	£'000
<b>CONTINUING OPERATIONS</b>				
Revenue	1	16,100	16,902	32,884
Cost of sales		(5,447)	(5,437)	(10,473)
<b>Gross profit</b>		<b>10,653</b>	<b>11,465</b>	<b>22,411</b>
Administrative expenses		(6,822)	(6,372)	(13,039)
Distribution costs		(3,684)	(3,881)	(7,892)
Other operating income		119	105	150
<b>Operating profit</b>		<b>266</b>	<b>1,317</b>	<b>1,630</b>
Share of associates' operating loss		(8)	(56)	(34)
Net finance income		52	159	663
<b>Profit before tax</b>		<b>310</b>	<b>1,420</b>	<b>2,259</b>
Tax	5	(60)	(281)	(625)
<b>Profit for the period</b>		<b>250</b>	<b>1,139</b>	<b>1,634</b>
<b>Attributable to</b>				
Equity holders of the parent company		250	1,148	1,634
Equity minority interests		-	(9)	-
		<b>250</b>	<b>1,139</b>	<b>1,634</b>
<b>Earnings per share</b>				
From continuing operations				
Basic	2	3.2p	14.9p	21.2p
Diluted	2	3.2p	14.5p	21.2p

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 30 June 2009	Unaudited Six months to 30 June 2008	Audited Year to 31 Dec 2008
	£'000	£'000	£'000
Profit for the period	250	1,139	1,634
Other comprehensive income:			
- Foreign currency translation differences	112	83	(113)
- Actuarial gains and losses on defined benefit scheme	-	-	(1,681)
- Tax on items taken directly to equity	6	(27)	310
Total comprehensive income for the period attributable to equity shareholders	<b>368</b>	<b>1,195</b>	<b>150</b>

\* the restatement relates to a reclassification adjustment for a exchange rate loss of £372k from overheads to cost of sales.

## CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As at 30 June 2009 £'000	Unaudited As at 30 June 2008 £'000	Audited As at 31 Dec 2008 £'000
Notes			
<b>Non-current assets</b>			
Goodwill	2,216	2,261	2,216
Other intangible assets	2,246	2,056	2,316
Property, plant & equipment	7,485	7,027	7,108
Interests in associates	654	628	756
Other investments	26	26	26
	<b>12,627</b>	<b>11,998</b>	<b>12,422</b>
<b>Current assets</b>			
Inventories	478	206	375
Trade and other receivables	6,626	8,674	8,591
Assets held at fair value through profit and loss	157	-	-
Cash and cash equivalents	7,566	8,130	8,130
	<b>14,827</b>	<b>17,010</b>	<b>17,096</b>
<b>Total assets</b>	<b>27,454</b>	<b>29,008</b>	<b>29,518</b>
<b>Current liabilities</b>			
Trade and other payables	(4,828)	(5,646)	(6,105)
Current tax liabilities	(77)	(270)	(265)
Borrowings	(680)	(1,525)	(706)
Liabilities held at fair value through profit and loss	-	-	(660)
Deferred income	(2,775)	(2,570)	(2,849)
	<b>(8,360)</b>	<b>(10,011)</b>	<b>(10,585)</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation	(1,075)	-	(1,075)
Deferred tax liabilities	(403)	(583)	(407)
Borrowings	(1,044)	(833)	(1,018)
Deferred income	(71)	(61)	(73)
	<b>(2,593)</b>	<b>(1,477)</b>	<b>(2,573)</b>
<b>Total liabilities</b>	<b>(10,953)</b>	<b>(11,488)</b>	<b>(13,158)</b>
<b>Net assets</b>	<b>16,501</b>	<b>17,520</b>	<b>16,360</b>
<b>Equity</b>			
Share capital	779	779	779
Share premium	8,078	8,078	8,078
Investment in own shares	(491)	(499)	(523)
Revaluation reserve	1,444	1,461	1,455
Capital reserve	9	9	9
Translation reserve	(84)	-	(196)
Retained earnings	6,766	7,630	6,758
<b>Equity attributed to equity holders of the parent</b>	<b>16,501</b>	<b>17,458</b>	<b>16,360</b>
Minority interests	-	62	-
<b>Total equity</b>	<b>16,501</b>	<b>17,520</b>	<b>16,360</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Share capital account £'000</b>	<b>Share premium account £'000</b>	<b>Invest- ment in own shares £'000</b>	<b>Capital reserves £'000</b>	<b>Reval - uation reserve £'000</b>	<b>Trans- lation reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
At 1 January 2008	779	8,074	(297)	9	1,477	(83)	6,768	16,727
Total comprehensive income for the period	-	-	-	-	-	83	1,112	1,195
Dividends paid	-	-	-	-	-	-	(309)	(309)
Transfers	-	-	-	-	(16)	-	16	-
Investment in own shares	-	-	(202)	-	-	-	-	(202)
Share based payments	-	-	-	-	-	-	43	43
New share issue	-	4	-	-	-	-	-	4
At 30 June 2008	779	8,078	(499)	9	1,461	-	7,630	17,458
Total comprehensive income for the period	-	-	-	-	-	(196)	(849)	(1,045)
Dividends paid	-	-	-	-	-	-	(102)	(102)
Deferred tax	-	-	-	-	10	-	-	10
Transfers	-	-	-	-	(16)	-	16	-
Investment in own shares	-	-	(24)	-	-	-	-	(24)
Share based payments	-	-	-	-	-	-	63	63
At 31 December 2008	779	8,078	(523)	9	1,455	(196)	6,758	16,360
Total comprehensive income for the period	-	-	-	-	6	112	250	368
Dividends paid	-	-	-	-	-	-	(301)	(301)
Transfers	-	-	-	-	(17)	-	17	-
Investment in own shares	-	-	32	-	-	-	-	32
Share based payments	-	-	-	-	-	-	42	42
At 30 June 2009	779	8,078	(491)	9	1,444	(84)	6,766	16,501

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months to 30 June 2009 £'000	Unaudited Six months to 30 June 2008 £'000	Audited Year to 31 Dec 2008 £'000
Operating profit from continuing operations	266	1,317	1,630
Adjustments for:			
Depreciation and amortisation	613	502	885
Loss on sale of tangible fixed assets	8	-	39
Fair value through profit and loss	(817)	-	372
Share based payments	42	43	106
<b>Operating cash inflow before working capital movements</b>	<b>112</b>	<b>1,862</b>	<b>3,032</b>
Movement in working capital	1,402	(628)	705
<b>Cash generated by operations</b>	<b>1,514</b>	<b>1,234</b>	<b>3,737</b>
Additional pension payment	(53)	(50)	(112)
Taxation paid	(248)	(223)	(517)
Net interest received	52	159	169
<b>Cash inflow from operating activities</b>	<b>1,265</b>	<b>1,120</b>	<b>3,277</b>
<b>Investing activities</b>			
Purchases of fixed assets and investments	(931)	(218)	(529)
Expenditure on product development	(170)	(260)	(553)
Deferred consideration payments	-	(302)	(333)
Payments to acquire investment in own shares	(70)	(299)	(226)
<b>Net cash used in investing activities</b>	<b>(1,171)</b>	<b>(1,079)</b>	<b>(1,641)</b>
<b>Financing activities</b>			
Dividends paid	(301)	(309)	(411)
Proceeds from new share capital	-	-	4
Repayment of borrowings	(322)	(301)	(1,331)
New finance leases advanced	450	-	-
Restricted cash movement	(140)	693	694
<b>Net cash used in/generated from financing activities</b>	<b>(313)</b>	<b>83</b>	<b>(1,044)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(219)</b>	<b>124</b>	<b>592</b>
Cash and cash equivalents at 1 January	8,130	6,906	6,906
Effect of foreign exchange rate changes	(345)	83	632
<b>Cash and cash equivalents at end of the period</b>	<b>7,566</b>	<b>7,113</b>	<b>8,130</b>
<b><u>Analysis of cash and cash equivalents</u></b>			
Cash and cash equivalents	7,566	8,130	8,130
Bank overdraft	-	(1,017)	-
	<b>7,566</b>	<b>7,113</b>	<b>8,130</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Segment information

#### Business Segment

Revenue	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 Dec 2008 £'000
Software	6,942	8,792	16,430
Maintenance	5,814	5,137	9,684
Services	2,850	2,363	5,809
Other	494	610	961
<b>Continuing operations</b>	<b>16,100</b>	<b>16,902</b>	<b>32,884</b>

#### Geographical segments

Revenue	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 Dec 2008 £'000
Europe	9,388	9,765	17,945
Americas	3,672	3,575	8,249
Far East	2,068	3,089	6,049
Rest of World	972	473	641
<b>Continuing operations</b>	<b>16,100</b>	<b>16,902</b>	<b>32,884</b>

### 2. Earnings per share

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 Dec 2008 £'000
<b>Earnings - continuing</b>			
Profit attributable to equity holders of the parent	250	1,148	1,634
<b>Weighted average number of shares</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
For basic earnings per share	7,715	7,715	7,715
Scheme options	-	200	-
For diluted earnings per share	7,715	7,915	7,715
<b>Earnings per share</b>			
Continuing – basic	3.2p	14.9p	21.2p
– diluted	3.2p	14.5p	21.2p

### 3. Restricted cash

At 30 June 2009, included within cash at bank and in hand and trade and other payables is £1.2 million (30 June 2008: £1.4 million) that relates to monies received by the Company for a grant in respect of a European project. This cash is restricted as the Company has been nominated to administer the funds, which are to be distributed to several other independent partners. Therefore this cash is not considered as part of the net owned funds of the Company at 30 June 2009.

#### **4. Basis of preparation and accounting policies**

Delcam Plc is incorporated and domiciled in the United Kingdom. The interim financial statements for the period ended 30 June 2009 (including the comparatives for the period ended 30 June 2008 and the year ended 31 December 2008) were approved by the board of directors on 28 August 2009. Under the Security Regulations Act of the EU, amendments to the financial statements are not permitted after they have been approved.

It should be noted that the accounting estimates and assumptions are used in the preparation of the interim financial information. The interim financial information contained within this report does not constitute statutory accounts as defined in the Companies Act 2006. The full accounts for the year ended 31 December 2008 received an unqualified report from the auditors and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

This interim financial report has been prepared under the historical cost convention. The principal accounting policies and methods of computation adopted are consistent with those detailed in the 2008 financial statements except for the first time adoption of IAS 1 “Presentation of Financial Statements (Revised 2007)” and IFRS 8 “Operating Segments”.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group but does give rise to additional disclosures. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a “Statement of comprehensive income”. The adoption of IFRS 8 had not required a change to the presentation of the segments disclosed in the interim financial statements.

**5.** The taxation charge is based on the estimated effective rate of tax for the full year.

**6.** Copies of this statement are being sent to shareholders. Further copies are available from the Company Secretary at the Registered Office of the Company, Small Heath Business Park, Birmingham, B10 0HJ. A copy of the interim report is also available on the [www.delcam.com](http://www.delcam.com) website.