

# **Applied Wave Research Limited**

**Financial Statements  
For the Year Ending 31 March 2006**

**Company Registration Number 4561127**



# Applied Wave Research Limited

## Financial Statements

Year Ended 31 March 2006

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# **Applied Wave Research Limited**

## **Officers and Professional Advisers**

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### **The Board of Directors**

D Collins  
J Spoto

### **Company Secretary**

Eversecretary Limited

### **Registered Office**

Kett House  
Station Road  
Cambridge  
CB1 2JY

### **Auditor**

Peters Elworthy & Moore  
Chartered Accountants  
& Registered Auditors  
Salisbury House  
Station Road  
Cambridge  
CB1 2LA

### **Bankers**

Barclays Bank Plc  
54 Lombard Street  
London  
EC3P 3AH

# Applied Wave Research Limited

## The Directors' Report

Year Ended 31 March 2006

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The directors present their report and the financial statements of the company for the year ended 31 March 2006.

### Principal Activities

The principal activity of the company during the year was that of distributor of simulated-based engineering software and related services that are developed by the parent company, Applied Wave Research Inc.

### Directors

The directors who served the company during the year were as follows:

D Collins  
J Spoto

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

### Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 of the profit or loss of the company for that year.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 8 to 9, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditor

A resolution to re-appoint Peters Elworthy & Moore as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

# Applied Wave Research Limited

## The Directors' Report *(continued)*

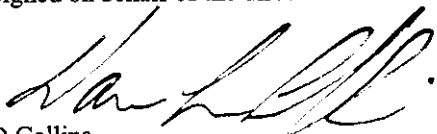
Year Ended 31 March 2006

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### Small Company Provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed on behalf of the directors



D Collins  
Director

Approved by the directors on ..... 9/9/06 .....

# **Applied Wave Research Limited**

## **Independent Auditor's Report to the Shareholders of Applied Wave Research Limited**

**Year Ended 31 March 2006**

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We have audited the financial statements of Applied Wave Research Limited for the year ended 31 March 2006 on pages 6 to 12 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and on the basis of the accounting policies set out on pages 8 to 9.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Directors and Auditor**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

# Applied Wave Research Limited

## Independent Auditor's Report to the Shareholders of Applied Wave Research Limited *(continued)*

Year Ended 31 March 2006

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### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PETERS ELWORTHY & MOORE  
Chartered Accountants  
& Registered Auditors

Salisbury House  
Station Road  
Cambridge  
CB1 2LA

19 September 2006

# Applied Wave Research Limited

## Profit and Loss Account

Year Ended 31 March 2006

|   | Note | 2006<br>£        | 2005<br>£        |
|---|------|------------------|------------------|
| Turnover                                    | 3    | 475,452          | 413,469          |
| Cost of sales                               |      | <u>233,102</u>   | <u>213,680</u>   |
| Gross Profit                                |      | 242,350          | 199,789          |
| Administrative expenses                     |      | <u>329,008</u>   | <u>266,126</u>   |
| Operating Loss                              | 4    | (86,658)         | (66,337)         |
| Interest payable and similar charges        |      | 22,924           | 13,035           |
| Loss on Ordinary Activities Before Taxation |      | <u>(109,582)</u> | <u>(79,372)</u>  |
| Tax on loss on ordinary activities          | 5    | —                | —                |
| Loss for the Financial Year                 |      | <u>(109,582)</u> | <u>(79,372)</u>  |
| Balance brought forward                     |      | <u>(289,742)</u> | <u>(210,370)</u> |
| Balance carried forward                     |      | <u>(399,324)</u> | <u>(289,742)</u> |

The notes on pages 8 to 12 form part of these financial statements.



# Applied Wave Research Limited

## Balance Sheet

31 March 2006

|   | Note | £              | 2006<br>£        | £              | 2005<br>£        |
|---|------|----------------|------------------|----------------|------------------|
| <b>Fixed Assets</b>                                   |      |                |                  |                |                  |
| Tangible assets                                       | 6    |                | 7,298            |                | 9,020            |
| <b>Current Assets</b>                                 |      |                |                  |                |                  |
| Debtors   | 7    | 228,958        |                  | 121,250        |                  |
| Cash at bank and in hand                              |      | 31,900         |                  | 91,426         |                  |
|   |      | <u>260,858</u> |                  | <u>212,676</u> |                  |
| <b>Creditors: Amounts Falling due Within One Year</b> | 8    | <u>657,480</u> |                  | <u>501,438</u> |                  |
| <b>Net Current Liabilities</b>                        |      |                | <u>(396,622)</u> |                | <u>(288,762)</u> |
| <b>Total Assets Less Current Liabilities</b>          |      |                | <u>(389,324)</u> |                | <u>(279,742)</u> |
| <b>Capital and Reserves</b>                           |      |                |                  |                |                  |
| Called-up equity share capital                        | 12   |                | 10,000           |                | 10,000           |
| Profit and loss account                               |      |                | <u>(399,324)</u> |                | <u>(289,742)</u> |
| <b>Deficit</b>  |      |                | <u>(389,324)</u> |                | <u>(279,742)</u> |

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved by the directors on the 9/9/06 and are signed on their behalf by:



D Collins

The notes on pages 8 to 12 form part of these financial statements.

# Applied Wave Research Limited

## Notes to the Financial Statements

Year Ended 31 March 2006

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### 1. Accounting Policies

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

#### Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-Financial Reporting Standard for Smaller Entities (effective January 2005).

#### Revenue recognition

Turnover represents sales, net of credits and discounts and exclusive of value added tax, relating to the accounting period.

Certain licences and maintenance services have been invoiced by the company in respect of future periods. Where there is an ongoing obligation to the customer under such agreements, the amounts so invoiced in relation to future accounting periods are carried forward within accruals and deferred income in the balance sheet. The cost of sales arising on these transactions are also deferred and carried forward in prepayments and other debtors in the balance sheet. The cost of sales were previously netted off the deferred income on the balance sheet. The previous year's figures have been amended for this change in accounting policy by £58,037 increasing both debtors and creditors. The effect on the current year is £69,401.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

#### Fixed assets

All fixed assets are initially recorded at cost.

# Applied Wave Research Limited

## Notes to the Financial Statements

Year Ended 31 March 2006

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### 1. Accounting Policies *(continued)*

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                     |                        |
|---------------------|------------------------|
| Equipment           | - 3 to 5 years on cost |
| Fixtures & Fittings | - 3 years cost         |

#### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

### 2. Going Concern

The financial statements have been prepared under the going concern basis as the parent company has agreed to provide the company with adequate funds to meet its liabilities as they fall due. The directors have no reason to believe that this financial support will not continue in the future. Therefore they consider it appropriate to adopt a going concern basis.

### 3. Turnover

Overseas turnover amounted to 13.50% (To 31 March 2005 - 0.90%) of the total turnover for the year.

# Applied Wave Research Limited

## Notes to the Financial Statements

Year Ended 31 March 2006

### 4. Operating Loss

Operating loss is stated after charging/(crediting):

|   | 2006          | 2005           |
|---|---------------|----------------|
|   | £             | £              |
| Depreciation of owned fixed assets                | 4,699         | 8,865          |
| Loss on disposal of fixed assets                  | —             | 4,972          |
| Auditor's fees                                    | 3,500         | 3,000          |
| Net loss/(profit) on foreign currency translation | <u>32,544</u> | <u>(8,218)</u> |

### 5. Taxation on Ordinary Activities

There is no tax payable due to losses incurred in the year .

The company has tax losses available to carry forward of approximately £352,000 (2005: £252,000). There would be a deferred tax asset of approximately £67,000 (2005: £48,000) on these losses. This amount has not been included in the accounts due to the uncertainty of timings of future profits.

### 6. Tangible Fixed Assets

|                       | Equipment     | Fixtures & Fittings | Total         |
|-----------------------|---------------|---------------------|---------------|
|                       | £             | £                   | £             |
| <b>Cost</b>           |               |                     |               |
| At 1 April 2005       | 13,322        | 5,990               | 19,312        |
| Additions             | <u>2,977</u>  | <u>—</u>            | <u>2,977</u>  |
| At 31 March 2006      | <u>16,299</u> | <u>5,990</u>        | <u>22,289</u> |
| <b>Depreciation</b>   |               |                     |               |
| At 1 April 2005       | 5,968         | 4,324               | 10,292        |
| Charge for the year   | <u>3,033</u>  | <u>1,666</u>        | <u>4,699</u>  |
| At 31 March 2006      | <u>9,001</u>  | <u>5,990</u>        | <u>14,991</u> |
| <b>Net Book Value</b> |               |                     |               |
| At 31 March 2006      | <u>7,298</u>  | <u>—</u>            | <u>7,298</u>  |
| At 31 March 2005      | <u>7,354</u>  | <u>1,666</u>        | <u>9,020</u>  |

### 7. Debtors

|               | 2006           | 2005           |
|---------------|----------------|----------------|
|               | £              | £              |
| Trade debtors | 151,468        | 53,801         |
| Other debtors | <u>77,490</u>  | <u>67,449</u>  |
|               | <u>228,958</u> | <u>121,250</u> |

# Applied Wave Research Limited

## Notes to the Financial Statements

Year Ended 31 March 2006

### 8. Creditors: Amounts Falling due Within One Year

|                                    | 2006           | 2005           |
|------------------------------------|----------------|----------------|
|                                    | £              | £              |
| Trade creditors                    | 13,321         | 6,322          |
| Amounts owed to group undertakings | 417,341        | 278,046        |
| Other taxation and social security | 26,932         | 12,986         |
| Other creditors                    | 199,886        | 204,084        |
|                                    | <u>657,480</u> | <u>501,438</u> |

### 9. Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in independently administered funds. The pension charge represents contributions payable by the company and amounted to £7,581 (2005: £7,581). At 31 March 2006 the payment outstanding was £5,265 (2005: £3,949). This is included in other creditors.

### 10. Commitments under Operating Leases

At 31 March 2006 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

|                                | 2006          | 2005          |
|--------------------------------|---------------|---------------|
|                                | £             | £             |
| Operating leases which expire: |               |               |
| Within 2 to 5 years            | <u>14,000</u> | <u>14,000</u> |

### 11. Related Party Transactions

During the year, the company charged an aggregate amount of £196,846 (2005: £188,181) relating to sales and marketing expenses and an aggregate amount of £31,618 (2005: £75,140) relating to sales commissions to its parent company, Applied Wave Research, Inc. The company also purchased software products totalling £233,102 (2005: £213,680) from its parent company for distribution to the United Kingdom market.

Applied Wave Research, Inc recharged the company an aggregate amount of £40,594 (2005: £32,605) relating to administrative expenses incurred on its behalf. In turn, the company charged the parent company £172,310 (2005: £110,015) for administrative expenses incurred on its behalf.

During the year, Applied Wave Research, Inc advanced the company funds and made repayments of £364,434 (2005: £177,458). During the year the company repaid £120,985 (2005: £nil). Interest charged in the year on outstanding balances owed to the parent company totalled £22,924 (2005: £13,035).

At 31 March 2006 the balance owed to Applied Wave Research, Inc was £417,341 (2005: £278,046).

# Applied Wave Research Limited

## Notes to the Financial Statements

Year Ended 31 March 2006

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### 12. Share Capital

#### Authorised share capital:

|                                   | 2006          | 2005          |
|-----------------------------------|---------------|---------------|
|                                   | £             | £             |
| 10,000 Ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> |

#### Allotted, called up and fully paid:

|                            | 2006          |               | 2005          |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | No            | £             | No            | £             |
| Ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> |

### 13. Ultimate Parent Company

The company's immediate and ultimate parent undertaking is Applied Wave Research Inc, a company registered in the United States of America.