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Registered number 2033042

MSC SOFTWARE LIMITED
AUDITED
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

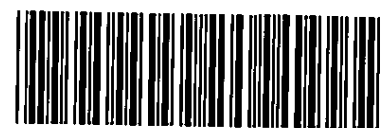
FOR THE YEAR ENDED
31 DECEMBER 2006

 **Wellden
Turnbull**

Chartered accountants and
Registered Auditors

 **UK200Group**

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COMPANIES HOUSE

MSC SOFTWARE LIMITED

COMPANY INFORMATION

DIRECTORS

D A Fairchild
S Aunemma (appointed 16/04/07)
J J Laskey (resigned 16/04/07)
A A Mobayen
J A Mongelluzzo

SECRETARY

Clifford Chance Secretaries Limited

COMPANY NUMBER

2033042

REGISTERED OFFICE

10 Upper Bank Street
London
E14 5JJ

AUDITORS

Wellden Turnbull
Chartered Accountants & Registered Auditors
78 Portsmouth Road
Cobham
Surrey
KT11 1PP

MSC SOFTWARE LIMITED

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MSC SOFTWARE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and the financial statements for the year ended 31 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the directors is aware at the time the report is approved:

- 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.

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was that of the provision of marketing and technical support for the holding company's engineering analysis software products and associated consultancy and training services.

BUSINESS REVIEW

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

MSC Software Ltd is a US owned company and as such, much of the UK business is influenced by decisions made outside of the country.

During the first half of 2006 MSC Software Ltd took significant steps to push the company forward by re-branding and re-packaging its core products. The result of which means that all current customers have access to additional software modules and therefore an associated increase in maintenance revenue is expected in the future.

The second half of 2006 saw the introduction into the market place of the 'next generation' software tools. The benefits of this kind of marketing activity are not always experienced immediately and MSC Software Ltd anticipates the benefits to show in 2007 and beyond.

During the year, the company introduced the SimEnterprise product suite of software. This strategy will lead to strong market growth, initially in the large original equipment manufacturers and gradually into the supply chain. 2006 was very much a period of education in the market place.

MSC SOFTWARE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The company's activities are organised into the following main areas

Software
Development
Services

The company saw a decline in sales all three areas during 2006, turnover dropped from £4.7 million to £3 million. The software and services are linked and the reduction in sales is due to the reorganisation and re-branding of software products in the parent company.

The media reported issues in the Aerospace and Automotive industries, including reorganisation, centralisation and budget cuts. As these are two main areas of business, the company was drastically affected by these events. The issues with Airbus were well known and this had a significant effect on the software sales, both from a direct revenue stream and an indirect one through the supply chain. The US reacted by reducing expenses globally and in the UK reduced its staff costs from £2 million to £1.7 million.

With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen events outside of our control.

RESULTS

The loss for the year, after taxation, amounted to £38,250 (2005 - Profit £848,662)

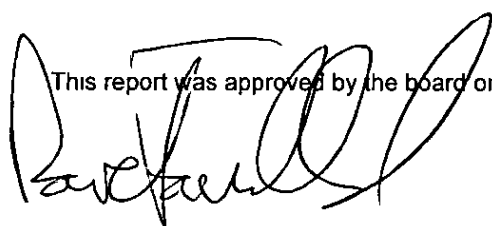
DIRECTORS

The directors who served during the year were

D A Fairchild
S Auriemma (appointed 16/04/07)
J J Laskey (resigned 16/04/07)
A A Mobayen
J A Mongelluzzo

AUDITORS

The auditors, Wellden Turnbull, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.



This report was approved by the board on ..

29-10-2007

..... and signed on its behalf

D A Fairchild
Director

MSC SOFTWARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MSC SOFTWARE LIMITED

We have audited the financial statements of MSC Software Limited for the year ended 31 December 2006 set out on pages 5 to 12. These financial statements have been prepared in accordance with the accounting policies set out therein.

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 auditors' 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 AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 Annual 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 judgments 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.

MSC SOFTWARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MSC SOFTWARE LIMITED

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements 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



WELLDEN TURNBULL

Chartered Accountants
Registered Auditors

78 Portsmouth Road
Cobham
Surrey
KT11 1PP

Date 2 November 2007

MSC SOFTWARE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £	2005 £
TURNOVER	1,2	3,001,090	4,700,901
Cost of sales		(113,606)	(101,468)
GROSS PROFIT		2,887,484	4,599,433
Selling and distribution costs		(221,939)	(195,350)
Administrative expenses		(2,672,487)	(3,209,451)
OPERATING (LOSS)/PROFIT	3	(6,942)	1,194,632
EXCEPTIONAL ITEMS			
Other exceptional items	7	-	(306,886)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(6,942)	887,746
Interest receivable		33,287	21,690
Interest payable	6	(25,334)	(55,581)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,011	853,855
Tax on profit on ordinary activities	8	(39,261)	(5,193)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	(38,250)	848,662

All amounts relate to continuing operations

There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account

The notes on pages 7 to 12 form part of these financial statements

MSC SOFTWARE LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2006**

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible fixed assets	9	130,215	134,814
CURRENT ASSETS			
Debtors	10	704,178	876,644
Cash at bank and in hand		616,784	470,580
		<u>1,320,962</u>	<u>1,347,224</u>
CREDITORS: amounts falling due within one year	11	<u>(622,422)</u>	<u>(615,033)</u>
NET CURRENT ASSETS		698,540	732,191
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>828,755</u>	<u>867,005</u>
CAPITAL AND RESERVES			
Called up share capital	12	110,000	110,000
Profit and loss account	13	718,755	757,005
SHAREHOLDERS' FUNDS	14	<u>828,755</u>	<u>867,005</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf

on .

D A Fairchild
Director

The notes on pages 7 to 12 form part of these financial statements

MSC SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS1

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold property	-	over the period of the lease
Computer equipment	-	33-25% straight line
Fixtures and fittings	-	25% straight line

1.5 Investments

Investments in subsidiaries are valued at cost less provision for impairment

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

MSC SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES (continued)

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are discounted

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

2. TURNOVER

All turnover arose within the United Kingdom

3 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging

	2006 £	2005 £
Depreciation of tangible fixed assets		
- owned by the company	80,866	80,378
- held under finance leases	-	29,236
Operating lease rentals		
- other operating leases	235,460	278,336

During the year, no director received any emoluments (2005 - £NIL)

MSC SOFTWARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

4 AUDITORS' REMUNERATION

	2006 £	2005 £
Fees payable to the company's auditor for the audit of the company's annual accounts	6,770	6,000
Fees payable to the company's auditor and its associates in respect of		
Other services relating to taxation	3,930	2,547
All other services	-	16,000
	<u> </u>	<u> </u>

5 STAFF COSTS

Staff costs were as follows

	2006 £	2005 £
Wages and salaries	1,385,028	1,669,723
Social security costs	174,153	200,827
Other pension costs	135,703	157,744
	<u> </u>	<u> </u>
	<u>1,694,884</u>	<u>2,028,294</u>

The average monthly number of employees, including the directors, during the year was as follows

	2006 No	2005 No
Administration	7	7
Sales	6	6
Consulting	19	21
	<u> </u>	<u> </u>
	<u>32</u>	<u>34</u>

6. INTEREST PAYABLE

	2006 £	2005 £
On other loans	2,881	9,572
On loans from group undertakings	22,453	46,009
	<u> </u>	<u> </u>
	<u>25,334</u>	<u>55,581</u>

7 EXCEPTIONAL ITEMS

	2006 £	2005 £
Restructuring costs	-	306,886
	<u> </u>	<u> </u>

MSC SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

8. TAXATION

	2006 £	2005 £
Analysis of tax charge in the year		
UK corporation tax charge on profits for the year	3,284	5,193
Foreign tax on income for the year	35,977	-
Total current tax	39,261	5,193
Tax on profit on ordinary activities	39,261	5,193

Factors affecting tax charge for the year

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 30% (2005 - 30%)

Factors that may affect future tax charges

There were no factors that may affect future tax charges

9 TANGIBLE FIXED ASSETS

	Leasehold property £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2006	141,044	140,069	187,457	468,570
Additions	75,886	655	-	76,541
Disposals	-	(33,295)	-	(33,295)
At 31 December 2006	216,930	107,429	187,457	511,816
Depreciation				
At 1 January 2006	75,686	103,399	154,671	333,756
Charge for the year	26,686	21,642	32,538	80,866
On disposals	-	(33,021)	-	(33,021)
At 31 December 2006	102,372	92,020	187,209	381,601
Net book value				
At 31 December 2006	114,558	15,409	248	130,215
At 31 December 2005	65,358	36,670	32,786	134,814

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2006 £	2005 £
Fixtures and fittings	-	20,183

MSC SOFTWARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

10 DEBTORS

	2006 £	2005 £
Trade debtors	146,881	169,180
Amounts owed by group undertakings	358,280	545,750
Other debtors	8,187	18,569
Prepayments and accrued income	190,830	143,145
	<u>704,178</u>	<u>876,644</u>

**11 CREDITORS:
Amounts falling due within one year**

	2006 £	2005 £
Net obligations under finance leases and hire purchase contracts	-	26,486
Trade creditors	24,322	55,497
Amounts owed to group undertakings	322,753	217,846
Corporation tax	8,477	5,193
Social security and other taxes	52,009	51,595
Other creditors	17,701	30,106
Accruals and deferred income	197,160	228,310
	<u>622,422</u>	<u>615,033</u>

12. SHARE CAPITAL

	2006 £	2005 £
Authorised, allotted, called up and fully paid		
110,000 Ordinary shares of £1 each	<u>110,000</u>	<u>110,000</u>

13 RESERVES

	Profit and loss account £
At 1 January 2006	757,005
Loss retained for the year	(38,250)
	<u>718,755</u>
At 31 December 2006	

MSC SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Opening shareholders' funds	867,005	18,343
(Loss)/Profit for the year	(38,250)	848,662
Closing shareholders' funds	<u>828,755</u>	<u>867,005</u>

15 PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £135,703 (2005 - £157,744).

16 OPERATING LEASE COMMITMENTS

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2006 £	2005 £	2006 £	2005 £
Expiry date.				
Within 1 year	-	-	5,711	11,715
Between 2 and 5 years	<u>216,084</u>	<u>229,318</u>	<u>104,207</u>	<u>73,527</u>

17 RELATED PARTY TRANSACTIONS

The directors have taken advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose transactions with other Group companies as they are eliminated on consolidation.

18 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is MSC Software Corporation incorporated in the United States of America.